

**Indiana Department of Correction
Efficiency Task Team Report
of the
General Government Subcommittee
of the
Government Efficiency Commission**



November 8, 2004

INTRODUCTION

The Corrections Task Team (CTT) is a component of the General Government Subcommittee of the Government Efficiency Commission (GEC) created by the Indiana General Assembly. The charter of the GEC is to:

- (1) Review all state funded agencies, departments, and programs; and
- (2) Make recommendations to improve efficiency and reduce waste or other unnecessary costs associated with any state funded agency, department, or program.

The CTT is charged with conducting a review of the operations of the Indiana Department of Correction (IDOC), developing findings, conclusions and recommendations based on this work and reporting these findings, conclusions and recommendations to the General Assembly and the Governor prior to December 31, 2004.

Background and Context

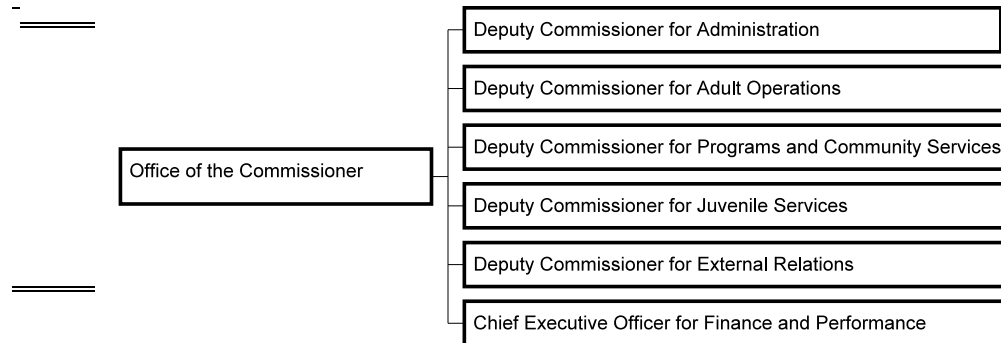
Organization and Mission: The Indiana Department of Correction was established in 1953, for the purpose of providing centralized control, uniform employment and working conditions, and standardized policies and procedures for all Indiana prisons. Prior to that time, Indiana prisons had operated autonomously without benefit of a regulating state agency. This, in fact, was the way that American prisons functioned well into the 20th century. Indiana's first prison was opened in 1823, in Jeffersonville. Today, the Indiana Department of Correction includes 24 adult facilities and 10 juvenile facilities housing some 24,000 offenders. An estimated 8,750 employees perform a wide variety of tasks including offender custody, offender treatment (rehabilitation), administration, clerical, food service, facility maintenance, training, and industrial operations. During FY 2004, IDOC operating expenses totaled approximately \$640 million. This represents about 5.0% of total state government operating expenses for FY 2004.

In 2004 the Department of Correction had:

- 24 adult facilities
- 10 juvenile facilities
- 8,750 employees
- operating expenses of \$640 Million
- 5% of the state general fund budget

The administrative structure of the IDOC includes the Office of the Commissioner, a Deputy Commissioner for Administration, a Deputy Commissioner for Adult Operations, a Deputy Commissioner for Programs and Community Services, a Deputy Commissioner for Juvenile Services, and a Deputy Commissioner for External Relations. Collectively, these offices and their

immediate subdivisions located in Indianapolis form what is commonly known as “central office”. Below these deputy commissioners in the organizational scheme come the divisions, departments, and programs, and the adult and juvenile facilities which make up the core of the IDOC



The mission of the IDOC is-

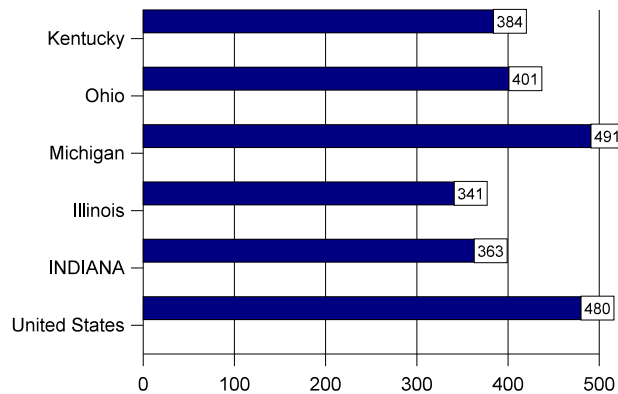
“to protect the public by operating facilities and programs in a safe, secure, effective, and accountable manner.

This mission statement includes the following five goals:

- (1) Provide and maintain a safe and secure correctional environment for the protection of the public, staff, and offenders.
- (2) Deliver offender programs that provide opportunities for self-improvement and successful community reintegration.
- (3) Adhere to standards of high performance to achieve correctional best practices and communicate those accomplishments, as well as other facts about the Department to the community.
- (4) Recruit, develop, and retain a trained diverse workforce of committed correctional professionals.
- (5) Collaborate with the public, governmental and non-governmental agencies support of crime prevention efforts and the development of community-based correction and transition programs.

Multi-State Perspective: According to a report by the U.S. Department of Justice, 1,290,459 offenders were held in state prisons in the United States on June 30, 2003; the incarceration rate (inmates with a sentence of more than one year per 100,000 residents) for the country as a whole was 480. Indiana confined approximately 24,555 inmates offenders for an incarceration rate of 363/100,000. Incarceration rates for neighboring states, Indiana, and the entire United States are shown in the following exhibit.

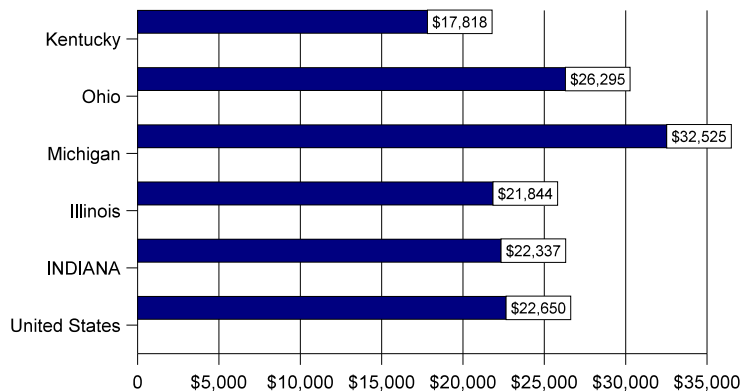
Offenders in Correctional Facilities for each 100,000 Residents by State



Prison and Jail Inmates at Midyear 2003, Bureau of
Justice Statistics, 05/04 NCJ 203947

Another BJS report stated that correctional authorities in the United States spent in excess of \$38 billion on correctional operations in FY 2001; over \$28 billion was spent for the operation of adult correctional facilities. The average cost of correctional operations per state inmate was \$22,650/year while Indiana's correctional operating costs per inmate was \$22,337.

Expenditure Per Offender in State Correctional Facilities for Indiana, the United States and Neighboring States

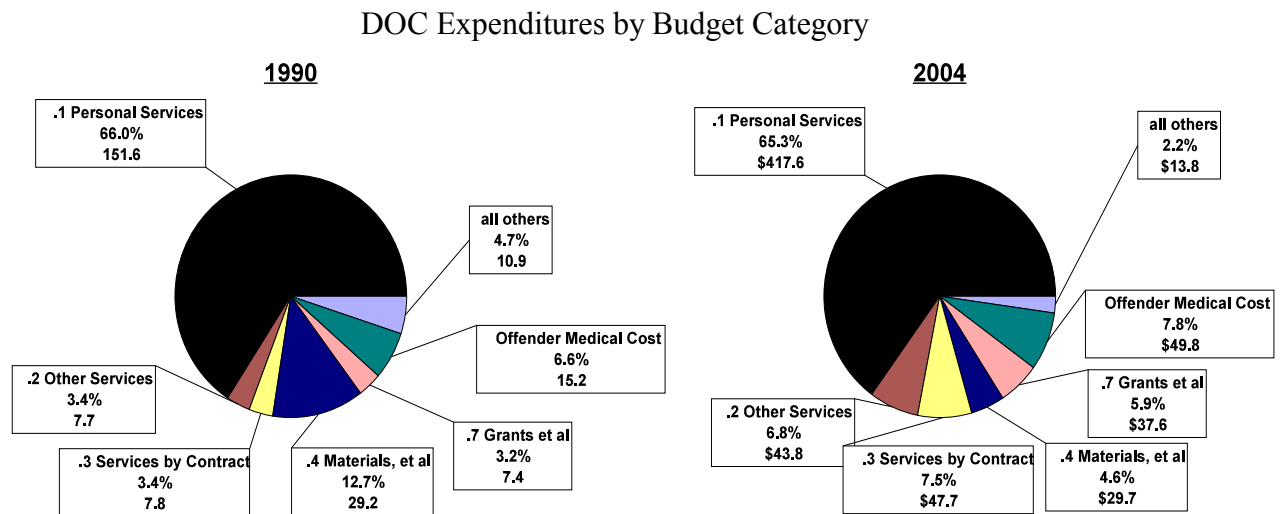


Special Report State Prison Expenditures, 2001 June
2004, NCJ 202949 Bureau of Justice Statistics James
J. Stephan BJS Statistician

Comparing Total Expenditures in 1990 to 2004

DOC expenditures increased from almost \$230 million to \$640 million between 1990 and 2004. For these two years, expenditure changes are examined below in two ways: by budget category and by function.

The following pie charts show the proportionate changes in DOC expenditures in 1990 and 2004 based on budget categories.

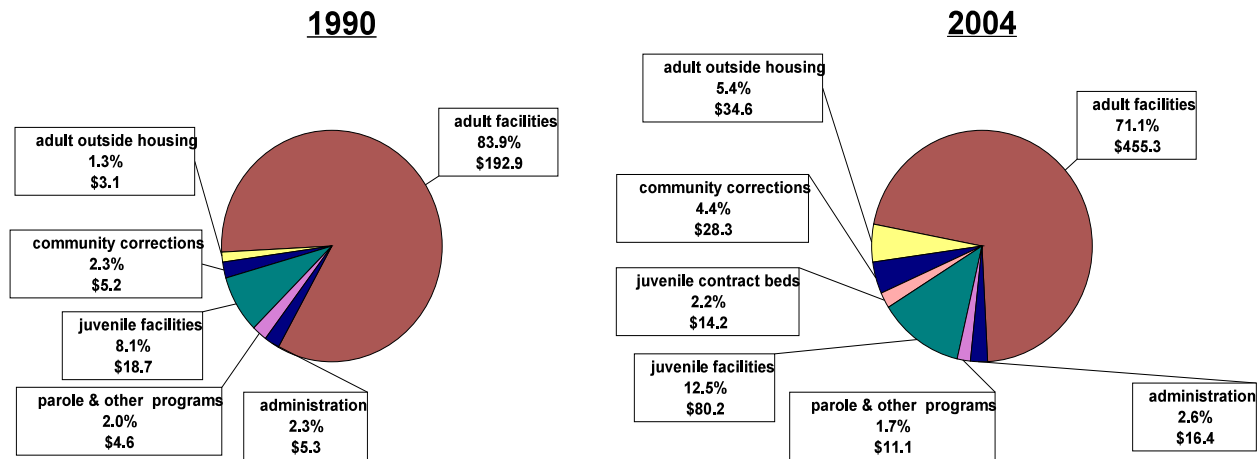


Expenditures for “personal services , “materials and equipment and “other related costs increased at rates slower than total expenditures while the categories “services by contract and “grants increased the by faster percentages. Medical costs for offenders increased by a faster rate than shown because prior to 1996, salaries for medical staff in DOC facilities were included in personal services, and after 1996, all medical expenditures were shown in the medical expenditure account.

Essentially, DOC’s expenditures have shifted slightly from its own facilities to contracting out for housing offenders with outside facilities including corporations, county sheriffs and not for profit agencies. In addition, DOC is investing more money into community corrections programs as shown below.

The following pie chart groups expenditures by seven functions. While expenditures for all seven functions increased, expenditures for adult offenders and for parole and other programs increased at a slower rate than total expenditures. In 1990, DOC did not spend money on contract beds for juveniles, but by 2004, expenditures for contract beds for juveniles was more than 2% of DOC’s total budget. Spending on community corrections increased from 2.3% of all expenditures to 4.5% of all expenditures. The cost of administration, including the central office, central office, correctional training institute and information management services stayed at about 2.6% of all DOC expenditures.

DOC Expenditures by Function



Methodology

The Corrections Task Team (CTT) was organized by Mr. Stephen W. Baranyk, Chairman, General Government Subcommittee, Government Efficiency Commission and who took an active role in the work of the CTT. The membership of the CTT was as follows:

Mr. Tim Campbell, Volunteers of America of Indiana
 Mr. Dean Duvall, IDOC, retired
 Mr. J.T. Ferguson, PACE/OAR
 Honorable Richard Good, Senior Judge, retired
 Ms. Virginia Dill McCarty, Chair, Indiana Board of Correction
 Ms. Misty Morales, IDOC
 Mr. Paul Kranning, IDOC, retired
 Honorable Chris Monroe, Bartholomew Superior Court Judge
 Khadijah Muhammad, President and CEO, K.A.M. Consulting
 Mr. J. Wesley Sims, Goodwill Industries of Central Indiana
 Mr. Warren Waymire, IDOC, retired, PACE/OAR
 Major Steve Woodall, Vanderburgh County Sheriff's Office
 Dr. Robert G. Huckabee, Indiana State University *
 Mr. Mark Goodpaster, Legislative Services Agency *

* Report Co-authors; Mr. Goodpaster provided invaluable support and assistance to the work of this Task Team and made major contributions to the Final Report. The authors would also like to acknowledge the contributions that Mary Ziemba-Davis and the Research Division of the Criminal Justice Institute made as well. The Sentencing Policy Commission considered the preliminary findings of the Criminal Justice Institute survey. (See. "Final Report of the Sentencing Policy Study Committee (November, 2004)

<http://www.in.gov/legislative/interim/committee/reports/SPSC7BH.pdf> citing the Indiana Criminal Justice Institute survey: Indiana Criminal Justice Institute (October 6, 2004). Indiana

Sentencing and Corrections Survey: A Report to Indiana's Sentencing Policy Study Committee. Unpublished presentation.)

The first meeting of the CTT was held on March 31, 2004 at the Indiana Government Center in Indianapolis. The discussion focused on defining the task at hand, breaking the task down into workable elements, and identifying sources of information. The four areas of adult operations, juvenile operations, community corrections, and PEN products (IDOC's industrial operation) were initially proposed as subdivisions of the overall task. This approach was later abandoned in favor of a broader departmental overview approach.

The CTT also determined that an emphasis should be placed on effectiveness rather than efficiency as traditionally defined (output divided by input), while acknowledging that cost is always a major consideration in any evaluation of operating effectiveness. Another consideration of the CTT was the enormous volume of policies and procedures that govern the IDOC, and which have evolved over many years of experience; it was decided that a policy and procedures review was neither desirable nor promising in terms of accomplishing the task ahead.

The full CTT met again on the following dates: April 20, May 10, and July 9; additional meetings involving the report writing team were held on August 27 and September 7. In addition, individual members of the CTT met with IDOC Commissioner Evelyn Ridley-Turner on one occasion, and sub-group meetings were also held. The composition of the CTT was intended to reflect a variety of backgrounds, experiences, and criminal justice system perspectives. Input was solicited and received from all members, and all viewpoints were considered.

The CTT finally settled on offender population as the central issue on which to focus its activity. Specifically, there are four elements related to offender population that are highlighted in this report: sentencing, community supervision, classification, and reintegration.

Both quantitative and qualitative data, obtained from a wide variety of sources, are included in this report. The Indiana Department of Correction provided considerable data concerning budgets and operating costs, offender populations, and offender programs, Mark Goodpaster of the Legislative Services Agency was able to obtain trend data going back to 1990 on several issues, and IDOC facility superintendents provided helpful comments. The work of the Indiana Sentencing Policy Study Commission was reviewed, as was a report by the Corrections Matters Evaluation Committee (May, 2000), and the Indiana Offender Reintegration Project.

FINDINGS

The strategy employed by the Corrections Task Team was to focus on selected factors related to the central issue of Offender Population. The following subsections address four primary areas of study:

- (1) sentencing,
- (2) community supervision,
- (3) classification, and

(4) reintegration.

Additional supporting comments are included on the following:

budgets and expenditures,
offender education and drug treatment,
PEN Products (IDOC's industrial branch), and
facility superintendent concerns.

Offender Population Issues

The population of offenders in any prison or prison system is a function of several factors, almost all of which are beyond the control of correctional administrators. Just as importantly, offender population is the primary driver of all other aspects of a state's prison system, including, but not limited to:-

- operating costs,
- hiring and retention of qualified staff,
- availability of offender services and programs,
- offender lawsuits, and
- staff and offender safety.

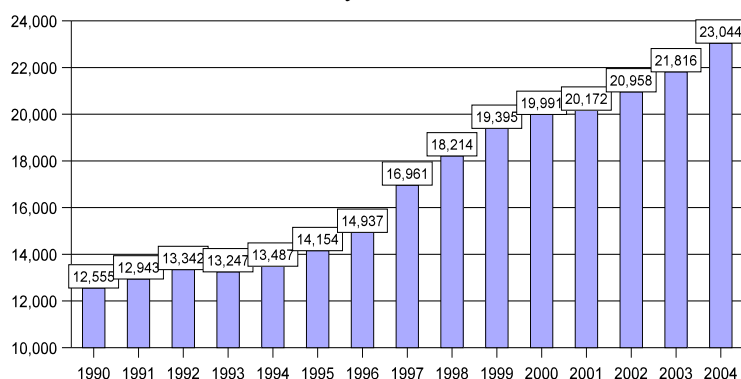
Prison populations are determined by some combination of the following:

- laws which define crimes,
- laws which set penalties;
- courts which decide criminal cases and sentence convicted persons,
- good time/credit time allowances regulated by statute,
- parole availability allowed or disallowed by statute, and
- probation and parole revocation practices.

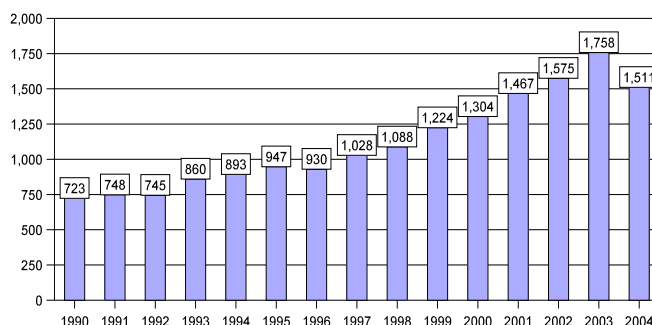
These actions by the legislative and judicial branches of government produce the prison population that the executive branch (through its prison officials) is charged with managing. Further, the prison system's budget is determined by the same legislative branch that defines crimes, sets penalties, and otherwise controls the flow of persons into and out of prison.

Changes in Offender Population: Reflecting national trends, the Indiana Department of Correction offender population has risen steadily for several years. The Corrections Task Team reviewed population data from 1990 to 2004, and observed that the average daily population of adult offenders increased at an annual rate of 4.4% during between 1990 and 2004 and that the average daily population of juveniles increased at an average annual rate of 7% between 1990 and 2003. DOC expenditures increased from \$224 to \$640 million, 185.7% which is equivalent to an annual rate of increase of 7.6%.

The average daily adult population in DOC facilities increased 4.4% annually between 1990 and 2004.....



.... and the average daily population of juveniles in DOC juvenile facilities increased by 7% per year between 1990 and 2003

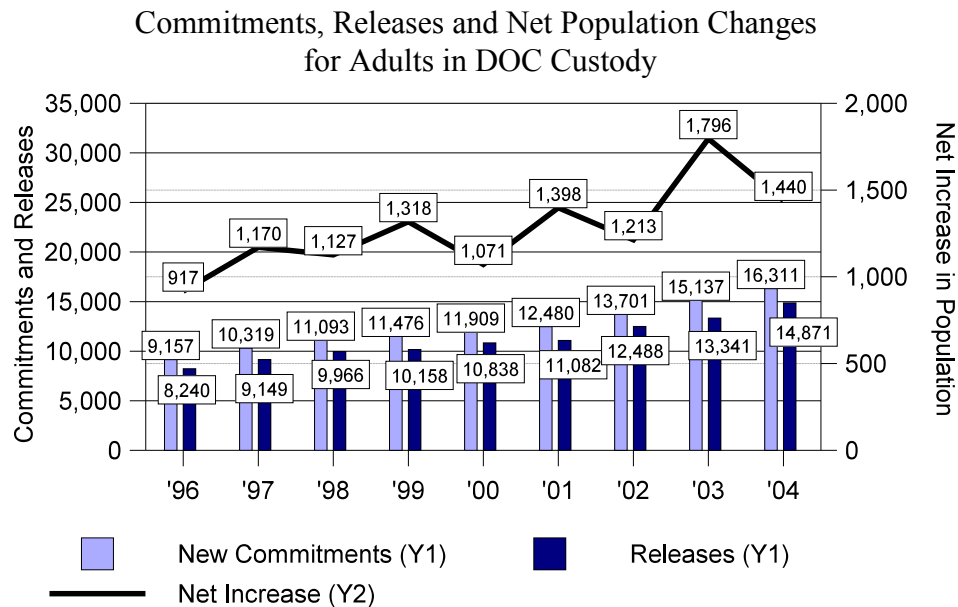


Commitments and Releases: Data provided by the IDOC present a picture of prison admissions for Fiscal Years 1999 through 2004. Admissions are primarily of three types:-

- persons sentenced directly by the criminal courts (new commitments),
- persons initially placed on probation (probationers) who later have their probation revoked (probation violators); and-
- persons on parole (parolees) who have their parole revoked (parole violators).

Beyond these main categories of admissions IDOC also receives a few offenders each year as a result of court orders and Community Transition Program (CTP) violations. New court commitments account for the majority of prison admissions, although this number varies somewhat from year to year.

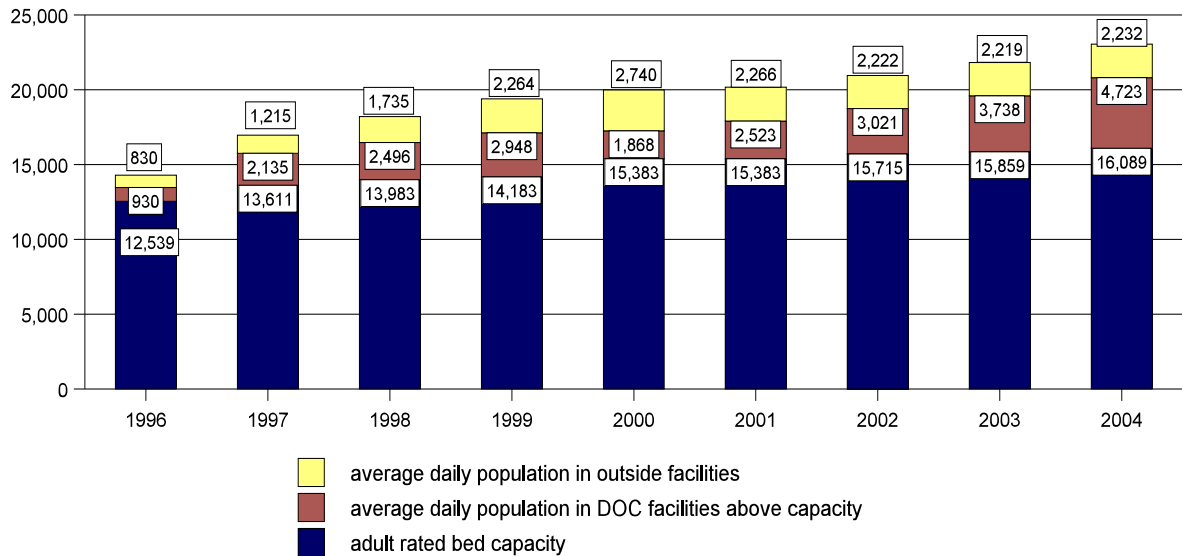
Between FY 1996 and FY 2004, the number of adult offenders committed to the custody of DOC has consistently been between 1,000 and 1,500 more than the offenders who are released.



Comparing Average Daily Population to Rated Bed Capacity: Prison overcrowding is the most serious problem facing prison administrators in many states. Overcrowding may be defined in a variety of ways, but generally speaking a prison (or prison system) is said to be overcrowded if the number of offenders exceeds the rated capacity of the prison/prison system. Rated capacity is a standard which refers to the number of offenders which a prison/prison system was designed to hold safely and securely, with the appropriate level of treatment programs and services.

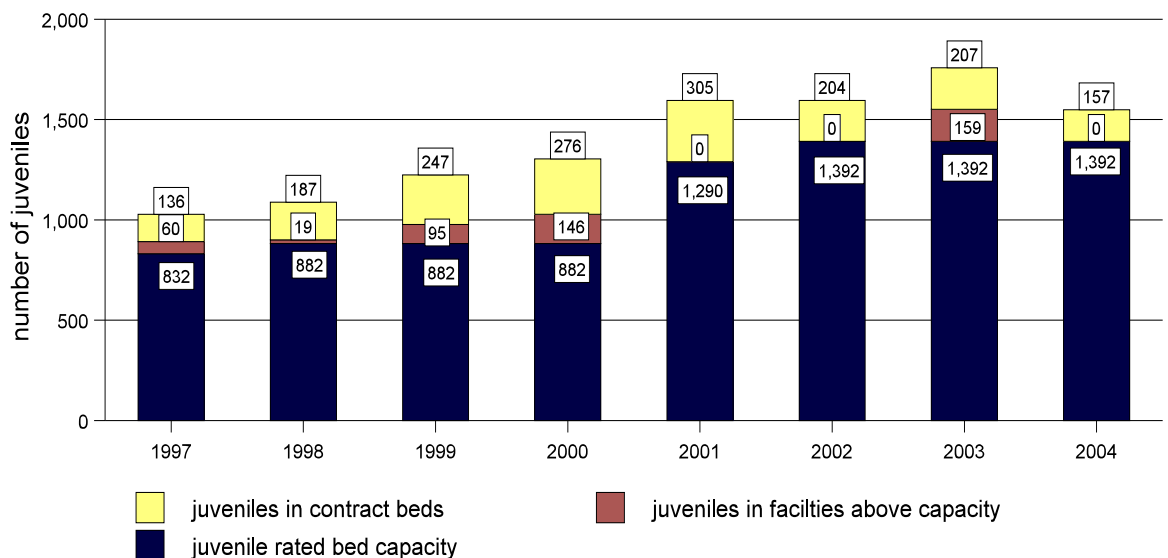
As the average daily population of adult offenders and juveniles exceeded the rated bed capacity, DOC has contracted with the outside corporations, not for profit agencies and county sheriffs to secure space for offenders who have been committed to DOC when space is not available. For the period between 1996 and 2004, the average adult daily population has increased by over 8,000 offenders while the number of beds increased by 3,550.

DOC's rated bed capacity, the population in contract facilities and offender population in existing facilities which exceed the rated bed capacity.



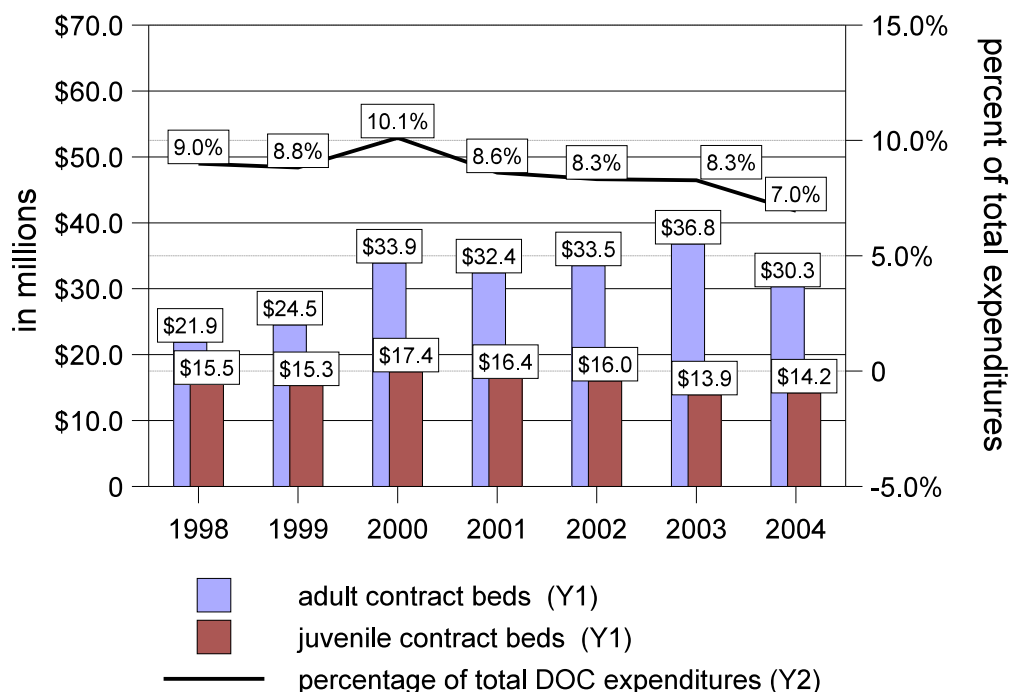
For juveniles committed to DOC juvenile facilities, DOC has also contracted with outside providers for additional bed space as well when the rated capacity exceeded the average daily population. Overcrowded conditions has not been as much of a problem for juvenile facilities as for adult facilities.

Average daily population of juveniles in facilities within rated bed capacity, added juveniles in facilities leading to overcrowding and juveniles in contract facilities.



Added Costs For Contract Facilities Housing both adults and juveniles in contract facilities outside of DOC facilities has resulted in significant increases in the total cost of operating the

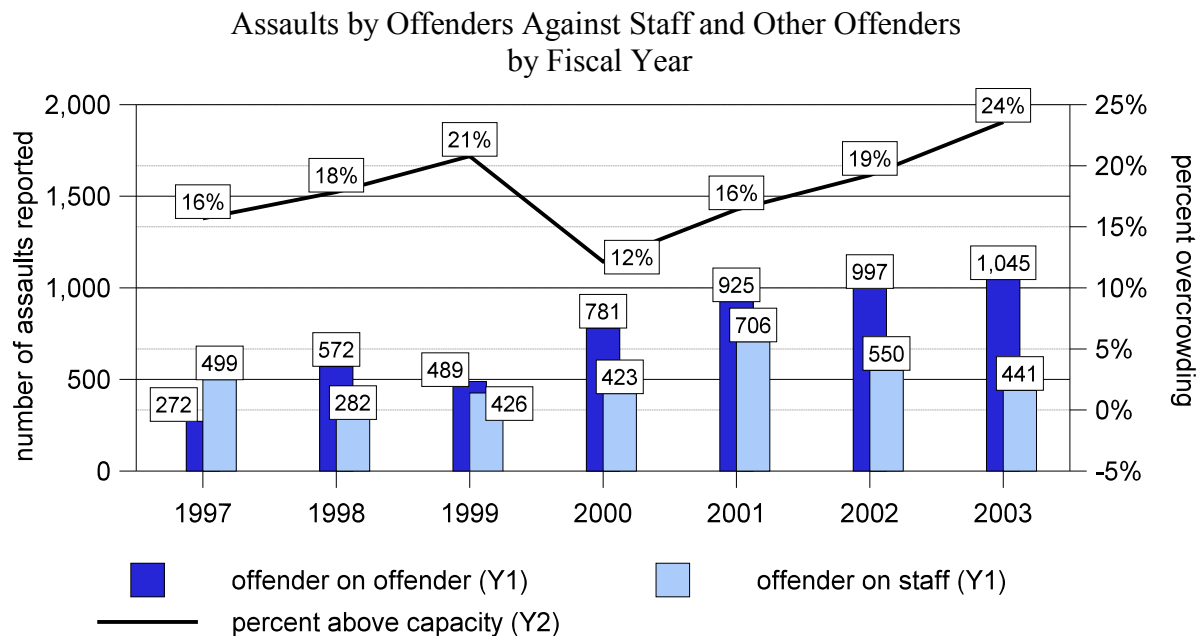
IDOC during the past seven years. As shown below, the costs of contract facilities have ranged from \$37.6 million in 1998 to a high of \$51.5 million in FY 2000 which approximately equivalent to 10% of the total IDOC budget in FY 2000. These added costs would have to be compared to the costs of building new facilities.



Safety Concerns Besides the added costs to IDOC for contract beds, overcrowding will likely affect the safety of both IDOC staff and offenders. In the following graphic, the percent of overcrowding in adult facilities is calculated by dividing the average daily population in the previous chart by the rated bed capacity. The percent overcrowding is then compared to the number of reported assaults on both offenders and staff for each fiscal year. While the relationship between assaults on staff and overcrowding appears to be weak, a stronger relationship does appear for the period between 2000 and 2004, when both the percent overcrowding and offender on offender assaults both increased at the same time.

A more detailed study for comparing assaults and overcrowding on a facility by facility basis should be performed to support more specific conclusions. But it is obvious that overcrowding can cause safety problems and further increase costs to the state in the form of medical, disability and workmen's compensation claims and lawsuits, when staff or offenders are hurt.

In summary, serious overcrowding on an extended basis as now occurs within the IDOC is an undesirable situation and one which should be avoided for reasons of both safety and cost containment.



Methods to Accommodate Prison Population: Regardless of whether or not a prison/prison system is overcrowded as determined by some mathematical formula, offender population relative to prison space can be regulated in four ways:

- “front door – slow the rate at which offenders enter prison,
- “back door – speed the rate at which offenders leave prison,
- add new space to house offenders
- contract with outside entities

“Front and back door strategies allow for easing the offender population and reducing the cost of offender management; fewer offenders go in the “front door (or the rate of entry is decreased), and more come out the “back door (or the rate of exit is increased).-

“Front door strategies include heavier use of probation, expansion of community corrections, and diversion of mentally ill and nonviolent persons out of the criminal justice system and into appropriate treatment modalities. “Back door strategies include reducing time served by increasing credit time allowances and then placing offenders on parole so they complete their sentences outside of prison.

These methods can be politically unpopular, particularly if the public want defendants convicted in criminal case sent to prison. The “tough on crime approach of increasing prison space through prison construction, however, has its own drawbacks- construction costs money, and plenty of it, and the cost of operating the expanded facilities is also expensive.

Indiana's newest prison facilities, Miami Correctional Facility and New Castle Correctional Facility, are estimated to have cost the state a total of \$285 million for construction alone, to increase offender capacity by 4,868 beds or \$58,545 per bed.

Prison operating costs are generally seen as outstripping construction costs by a significant margin. Opponents of prison construction argue that not only does spending millions of dollars to build new prisons divert much needed money from education, health care, and social programs, but this also opens new prison cells that will have to be filled in order to demonstrate to the public that they were needed to begin with. From this perspective, new construction may not relieve an existing crowding problem, but it may encourage even more arrests and even more prison commitments.

IDOC contracts with outside facilities to accommodate a portion of the offender population above IDOC's rated bed capacity. Some offenders have been placed in county jails under a contract with county sheriffs. IDOC has also contracted with the Corrections Corporation of America for another portion of their offender population. The disadvantage with this choice is that the long term costs are not as easy to predict because the contractor may give the offender back to DOC if the offender has medical or behavioral problems. Consequently, the real cost of using this alternative to increasing internal IDOC capacity is not predictable either.

Main Point 1: Sentencing

Sentencing provides the entryway into prison, and in many respects, the exit from prison. To the extent that sentencing structures favor mandatory, lengthy, and fixed sentences, more offenders will go to prison, and prison populations will rise. Conversely, sentences that permit broad use of probation and other community-based sanctions, and provide for liberal use of parole, will result in many offenders being diverted from prison and allow quicker release of those who are incarcerated.

A previous chart shows that the number of adults committed to IDOC exceeded the number of offenders who have been released over the past eight years. Commitments exceed releases because offenders are serving longer sentences and possibly because more persons are being arrested for crimes and tried in court. Longer sentences are the direct result of Indiana changing from indeterminate to determinate sentencing in the late 1970s.

Under an indeterminate sentence, offenders receive a range of years, such as from 2 to 20, and remain in prison until a parole board decides that they are rehabilitated and ready for release. The underlying assumption of indeterminate sentencing is that criminal behavior is not the product of free will exercised by the offender, but rather the result of forces, conditions, or events over which the offender has little, if any, control.

At least two criticisms against indeterminate sentencing resulted in a switch to determinate sentences.

- Indeterminate sentencing came under heavy criticism because of wide sentencing disparities.
- In 1974, a report was published that questioned the effectiveness of prison rehabilitation programs.

The “Martinson Report” found that prison treatment programs were largely unsuccessful in preventing future recidivism by offenders who had participated in them while incarcerated. Although Martinson did not say “nothing works” in terms of prison rehabilitation efforts, his report provided support for the then growing movement to abandon indeterminate sentencing and the corresponding penal emphasis on rehabilitation.

By the late 1970s, many states had adopted a new philosophy of criminal justice sometimes called the ***justice model***. Under the justice model offenders would receive determinate (or fixed) sentences involving a set number of years to be served; in some cases these sentences would be mandatory, thus removing ***judicial discretion*** from the sentencing equation. Probation would be restricted and parole would be based on how much of his/her sentence an offender had served, not on participation in treatment programs. In some states parole was eliminated altogether. Sentencing commissions, guidelines and grids were established in several jurisdictions (state and federal) in an attempt to standardize sentences according to the severity of the crime and the criminal history of the offender.

Indiana’s current sentencing system was changed in October, 1977 and is now governed under IC. 35-50. Sentences are for a fixed number of years according to the severity of the offense, but permit discretionary increases or decreases based on aggravating or mitigating circumstances. The following table shows the presumptive, minimum and maximum sentences for all four classes of felonies:

Felony Class	Minimum	Presumptive	Maximum
A	20 years	30 years	50 years
B	6 years	10 years	20 years
C	2 years	4 years	8 years
D	6 months	1.5 years	3 years

If the convicted offender has prior convictions, the court is required to add more years to the term of incarceration because the offender is considered to be a habitual offender. Offenders with two prior unrelated felony convictions are required to serve an additional sentence if they are convicted of a third prior unrelated felony. This third felony is called the underlying offense. The minimum sentence is not less than the presumptive sentence for the underlying offense. The maximum sentence is the lesser of either three times the presumptive sentence or 30 years. (IC 30-50-2-8(e)).

Felony	Minimum Sentence	Maximum Enhanced Sentence
Class D	1.5 years	4.5 years
Class C	4 years	12 years
Class B	10 years	30 years
Class A	30 years	30 years

Besides a term of incarceration, fines may be ordered along with prison sentences, and probation is allowed for many offenses.

Indiana is currently reexamining its sentencing structure and practices through the efforts of the Sentencing Policy Study Committee (SPSC). The Committee has recently recommended the following 11 recommendations:

1. Development of a “Purpose Statement” for the criminal code to provide a clear statement of purpose and philosophy that promotes public safety and the use of appropriate sanctions based upon principles of reformation. The “Purpose Statement” emphasizes the importance of policy integration and cooperation among the various components of the criminal justice and correctional system while setting forth the means and goals to be considered in establishing criminal penalties and imposing sentence without creating a cause of action or superceding any statute, and not being used in any litigation to obtain any form of relief.
2. Statutory changes to the criminal code that require the State prove the existence of aggravating circumstances beyond a reasonable doubt before a person convicted of a felony may receive a sentence greater than the presumptive, unless the person has one or more prior un-related convictions; 2) requires the defendant be provided with notice of the State’s intention to seek a sentence greater than the presumptive; 3) requires a jury to reconvene to hear evidence on aggravating circumstances if a person is convicted of a felony in a jury trial; and 4) permits a defendant to waive their right to have a jury determine the existence of any aggravating circumstances.
3. Development of a consistent method for the Courts, County Sheriff or Community Corrections Program to award and deprive time-based credit.
4. Extend recognition and support to the work of the Risk Assessment Task Force of the Indiana Offender’s Reintegration Project as the authoritative forum to develop common risk assessment processes for use among the various components of the criminal justice and corrections system.

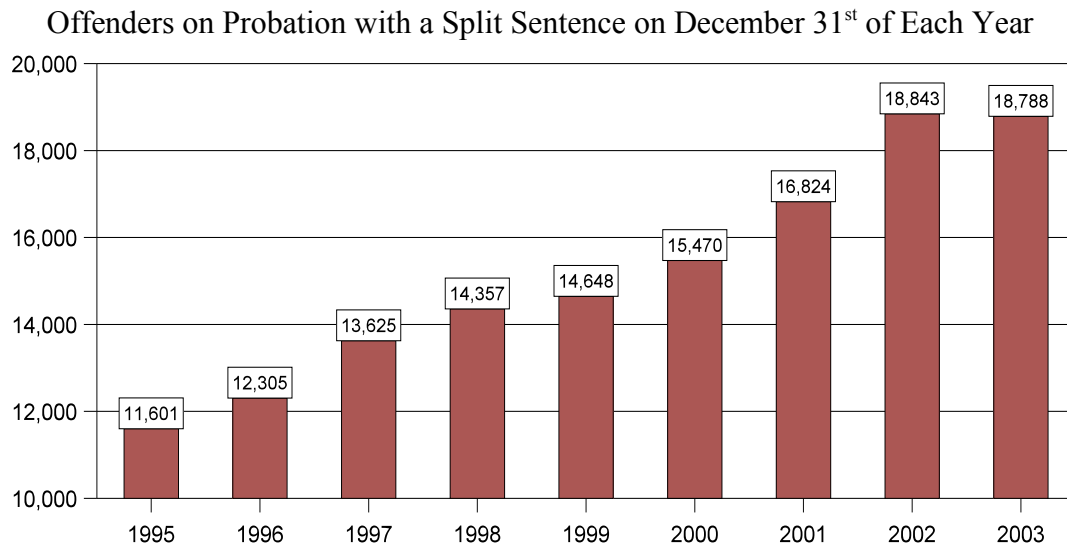
5. The expansion and promotion of alternative institutional placements, including without limitations, including work release, electronic monitoring and transitional housing as intermediate sanctions that would be accessible to each Court with criminal jurisdiction, as well as the support and use of other technology to assist in monitoring offenders in the community so as to enhance public safety and reduce admissions to the Department of Correction.
6. The clarification of the existing statute to permit the Court to order execution of all or part of a probationer's suspended sentence if a probationer has violated a condition of probation. This ability would provide greater flexibility to the Court to manage offenders safely in the community and thereby decrease commitments to the Department of Correction.
7. Modification of the reinstatement fees for driving offenses by the Bureau of Motor Vehicles so as to decrease the likelihood that a driver who cannot afford the incremental reinstatement fees do not eventually become incarcerated only for that offense.
8. Amend the existing statute that allows a Court to order an offender on home detention to wear a monitoring device to transmit the location of an offender at all times.
9. The modification of the statute to permit a Court to hold a new probation hearing and modify a probationer's conditions of probation at any time during the probationary period.
10. Amendment of the existing statute to require a jury to determine whether a person is a repeat sexual offender if a jury tried a person. The present statute requires the Court to determine whether a person is a repeat sexual offender if the person received a bench trial or a trial by jury.
11. The use of alternative institutional placements as both a "step up" and "step down" process.

Main Point 2: Community Supervision

Community supervision encompasses a broad range of offender management programs and strategies, all of which involve alternatives to incarceration in prison. Traditionally, community supervision was almost exclusively restricted to probation and parole. Probation in America dates to the work of John Augustus in the early 1800s, and is generally thought of as a term of supervision in the offender's home community in lieu of imprisonment.

Probation is a judicial function; and is discretionary except when prohibited by laws calling for mandatory prison sentences. Some states, including Indiana, also utilize what may be referred to as split sentencing. Under a split sentence, a person convicted of a crime serves a portion of his/her sentence in prison with the remainder to be served in the community under probation supervision. Probation, in this sense, should not be confused with parole as described below.

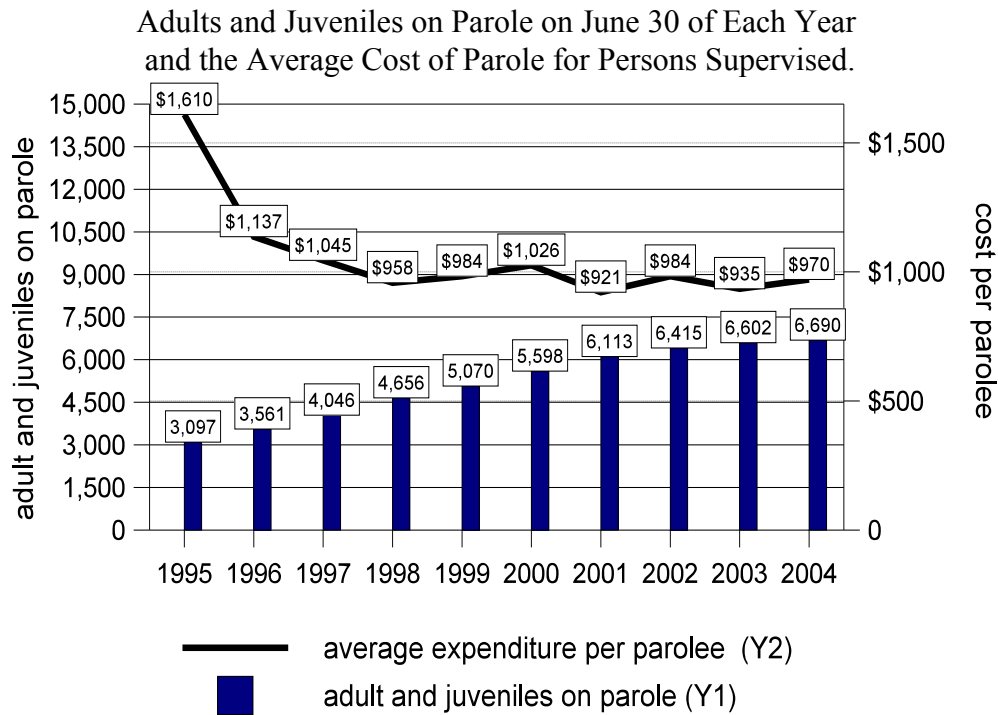
The number of offenders on probation with a split sentence increased by 62% between December 31, 1995 and December 31, 2003. The increased offender population with split sentences reduces some of the need for additional beds in IDOC. The cost of probation is paid at the county level.



Parole has an older, but less precise history than probation, but is thought to have derived from the British practice of transporting undesirables to the American colonies; and later (mid-1800s) Alexander Maconochie's indeterminate sentence and mark system in Australia; and Sir Walter Crofton's Irish system or ticket of leave. An offender who is paroled is released from prison prior to the expiration of his sentence and is then supervised in the community until the original sentence is completed.

Parole is normally an administrative, not judicial function, and is usually discretionary, the power to release early resting with a parole board, not a court. Parole is traditionally earned by "good behavior" in prison, and by a showing that the offender is no longer a threat to the community. Offenders can receive additional credit time by completing educational classes and substance abuse programs.

In Indiana, the number of adult offenders and juveniles on parole has more than doubled between 1995 and 2004. When expenditures for parole were divided by the number of adults and juveniles on parole, the average expenditure per parolee has declined from \$1,670 in FY 1995 and \$970 in FY 2004. Whether this decline in the average expenditure per parolee represents more efficient use of resources or a lack of resources could not be determined.



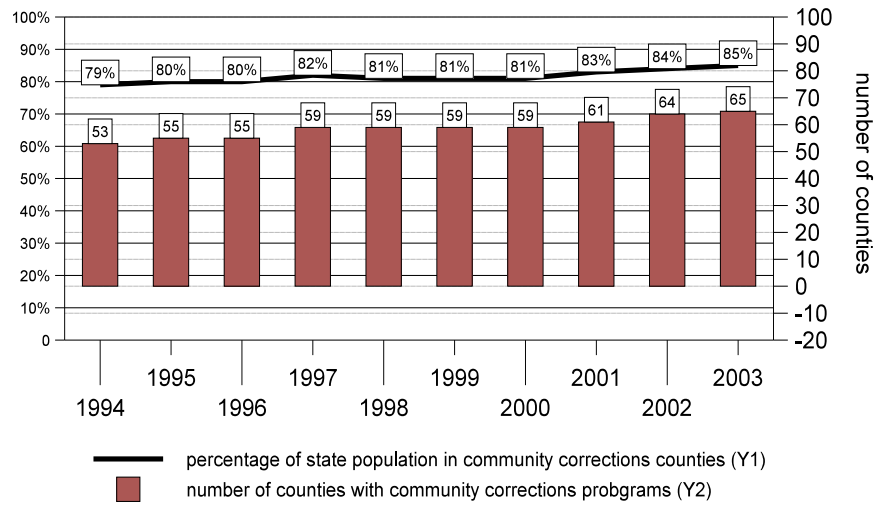
Community Corrections: Within the past 30-40 years, probation and parole have been supplemented by several additional strategies that seek to expand both “front door” and “back door” options for managing offenders in the community. These intermediate sanctions, or alternatives to incarceration, include (but may not be limited to):-

- house arrest/home detention,
- electronic monitoring,
- day reporting,-
- community restitution/work/service programs,
- faith-based programs,
- work release, and
- pre- or post-adjudication diversion (such as for alcohol, drug, or mental health treatment).

In Indiana, a person convicted of a nonviolent felony can be directly committed to a community correction program and be required to participate in a series of programming under the management of the community correction center in that particular county.

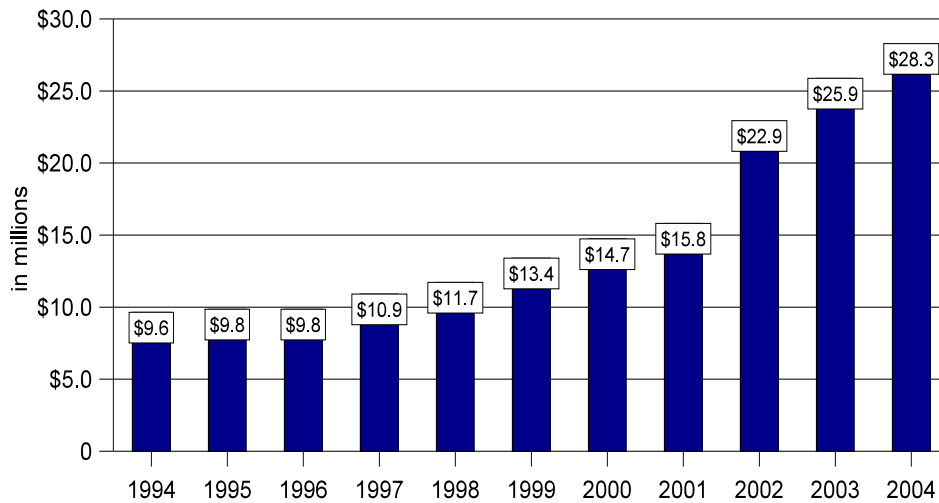
Between 1994 and 2004, the number of counties with community corrections programs increased from 53 to 65 counties. By 2004 85% of Indiana’s population was located in counties that had community corrections programs.

Percentage of State Population in Counties with Community Corrections Programs Funded by the Department of Correction



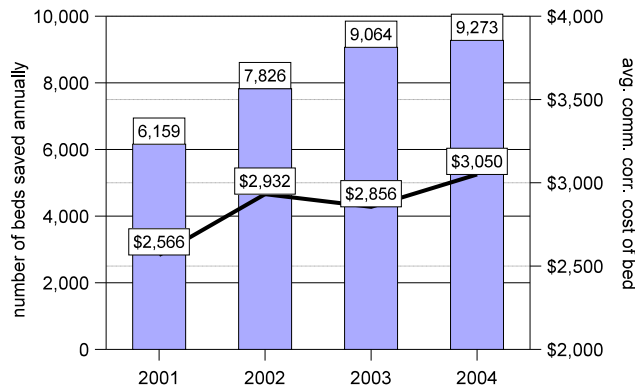
Between 1994 and 2004, expenditures for community corrections programs, including grants and staffing costs, have increased from \$9.6 million in 1994 to \$28.3 million in 2004, an almost three fold increase over this ten year period.

State Change in Expenditures for Community Corrections Programs



For the period between 2001 and 2004, the number of felony offenders who were diverted each year to community corrections programs increased from 6,159 to 9,273, representing almost 10,000 beds that were saved at a cost ranging between \$2,566 in 2001 and \$3,050 in 2004.

Number of Beds Saved through Community Corrections Programs and Average Cost of Bed Saved



Community corrections programs have a clear advantage of being a less expensive alternative to incarceration and at the same time allowing for more supervision than probation. However, one serious concern with expanding community corrections options is that persons convicted of low level misdemeanors and infractions may be unnecessarily placed in such a program.

Opponents to the expansion of community corrections believe that:

- (1) increases to local government expenditures will occur if more persons are placed under court supervision and thus more offenders need to be supervised and
- (2) some non-dangerous persons could be labeled as “criminals” .

Advocates of community corrections counter that such programs provide a less expensive alternative to imprisonment, provide the structure and support necessary for offender reform, disrupt the offender’s life to the least extent possible, and fulfill the community’s legitimate desire to see the offender punished in accordance with the crime committed.

The Legal Environment and Sentencing Options: In Indiana, community corrections (except probation and parole) is authorized under IC 11-12. Each participating county is required to have a community corrections plan, and is eligible for state grants to establish community-based programs which are operated under the supervision of a community corrections advisory board.

The mission of IDOC’s Community Corrections Grant Act Program is:

To foster the development and operation of local intermediate sanction programs and advisory boards that enhance coordination of the local criminal and juvenile justice systems and diversion of **non-violent** offenders from incarceration at the state level.

Community Corrections Grant Act target populations are:

- non-violent adult offenders sentenced to a term of 4 year or less and Class A Misdemeanant.
- non-violent youthful offenders who have been adjudicated delinquent for offenses that, if committed by an adult, would be a felony or a Class A misdemeanor.

Programs may include any of those referred to earlier in addition to any others “approved by the department (IDOC) .

Both probation and parole are impacted by sentencing laws. Laws which permit probation as an alternative to imprisonment allow judges the discretion to divert offenders out of the prison system and into community programs under community supervision. The costs associated with managing offenders in the community under probation supervision are significantly less than the costs of incarceration. To the extent that probation and community corrections programs serve as an alternatives to imprisonment, and not as net widening (as discussed above) the cost savings of diverting over 10,000 offenders per year from prison to community supervision would be substantial. It should be noted, however, that many probationers receive their sentences for non-violent felonies or misdemeanors. These offenders probably would not have been sentenced to prison to begin with, thus they should not be included in prison cost-savings projections.

Laws governing parole have become more restrictive in the past 30 years. Largely in reaction to what was seen as the prevailing “soft on crime” philosophy of the 1960s, legislatures across America implemented “truth in sentencing” laws requiring offenders to spend more of their sentences in prison, tightened parole eligibility requirements, or eliminated discretionary parole altogether.

Indiana currently has two laws which relate to parole. IC 11-13-3-2 governs offenders sentenced to an indeterminate term of imprisonment prior to 1977, and IC 35-50-6-1 covers persons sentenced to a determinate (or fixed) term subsequent to 1977. Both laws provide for release on parole. Under 11-13-3-2, parole is discretionary and must be determined by the parole board following a parole release hearing during which the offender’s prison behavior record is considered. Parole under IC 35-50-6-1 is non-discretionary, eligibility being established in the statute.

As is the case with probation, parole supervision is significantly less costly than incarceration. The more offenders who can be released safely into the community instead of being housed in prison for the duration of their sentence, the greater the cost savings for the IDOC. All other things being equal, parole seems to hold great promise for easing the prison population and reducing the costs of managing offenders under criminal justice supervision.

In most cases, however, all other things are not equal. An offender coming out of prison is often justifiably seen as a greater security risk to the community than one who was not sentenced to prison to begin with. The presumption here is that sentencing is rational and results in more dangerous offenders going to prison and less dangerous ones receiving probation. To the extent that this presumption is true, a parolee may differ from a probationer

in a number of respects.

First, he was a greater threat to the community than the probationer at sentencing, hence his prison sentence versus the probationers community supervision.-

Second, due to the generally recognized detrimental effects of the prison experience, the parolee may provide a continuing, and perhaps greater, risk to the community that the probationer does not.

Third, the parolee, but not the probationer, faces a difficult period of readjustment (reintegration) following disruption of his life. He is faced with reestablishing family ties, finding a job, and dealing with the label, "ex-con" .

Parole, therefore, is a more politically sensitive issue than probation. Neither parole board members nor legislators want to be seen as soft on crime, nor (rightfully) do they want to see citizens placed at risk by releasing offenders into the community prior to the expiration of their prison sentences. The reality, however, is that, with few exceptions, every man and woman sentenced to prison in America will eventually be returned to society; the question is not if, but when.

In addition to parole, an offender may reduce his/her prison sentence by earning what Indiana calls credit time, otherwise known in some states as good time. The Indiana Department of Correction, as required by IC 35-50-6-3, awards credit time as follows:

Class I offenders earn one day of credit time for each day served;

Class II offenders earn one day of credit time for every two days served;

Class III offenders earn no credit time.

IDOC maintains policies and procedures for classifying offenders by credit class, and thus the awarding of credit time is one of the few means by which prison officials can exercise some control over the exodus of offenders out of the system.

Main Point 3: Classification of Offenders for Security Level and Treatment

The term **classification** refers to the process of receiving, processing, and evaluating offenders coming into a prison system, and, subsequently, the assigning of those offenders to a particular prison. The history of classification in American prisons dates to the reformatory movement of the mid- to late 19th century. Classification decisions are usually based on two primary concerns:

(1) the level of physical security that is deemed necessary to safely and securely house an offender, and

(2) the specific treatment (rehabilitation) needs of the offender.

Other factors which are commonly considered include medical needs of the offender, offender work skills or other special abilities, and availability of housing space. Classification is normally done initially when the offender is transferred to the custody of the correctional system, and then periodically during his term of incarceration.

Classification is considered a key foundational aspect of any modern prison system. Benefits of an efficacious classification system are numerous. For example, classification allows corrections officials to **allocate resources** in the most efficient and effective manner. When groups of offenders who share similar characteristics are housed in the same prison, security and treatment activities can be standardized, specialized, and routinized based on group needs rather than the needs of multiple individuals who are dissimilar.

Another benefit of sound classification practices is that **treatment needs can be identified and matched with appropriate programming** in an effort to help the offender become rehabilitated and avoid further criminality. The idea of diagnosing and treating factors associated with criminal behavior is sometimes referred to as the **medical model** of corrections. Assuming that there are factors (psychological, mental, educational, vocational, medical, or otherwise) that contributed to the offender's criminal behavior and resultant incarceration, treatment programs should be designed to address these factors and offenders should be placed in the appropriate programs. Prison costs can be reduced to the extent that offenders who are released refrain from further criminality and do not return to prison. When effective treatment programs are matched to the needs of offenders, the chances of re-offending and re-incarceration are diminished.

In contemporary correctional settings, classification is usually accomplished by means of **objective measures, systems, and instruments**. Objective classification systems have numerous advantages over subjective systems: they apply the same criteria to all offenders; they use criteria that have been demonstrated to be related to criminal behavior (validated to an offender population); they promote consistency among and across multiple classification officials; and they permit periodic evaluation and review.

The statutory provisions for classification in Indiana are delineated in I.C. 11-10-1, "Evaluation, Classification, and Assignment of Criminal Offenders", and further detailed by IDOC policies and procedures. Male offenders sentenced to the Indiana Department of Correction are processed at the Reception and Diagnostic Facility at Plainfield. The intake facility for female offenders is located at the Indiana Women's Prison in Indianapolis. Information relevant to the classification process includes the offender's economic and social history, his/her particular treatment needs, the circumstances of his/her incarceration, and his/her criminal history. The offender's classification category and facility assignment are reviewed annually at a minimum.

Specific steps taken by IDOC staff during the classification process are as follows:

1. Interview the offender.
2. Respond to the offender's concerns.
3. Provide orientation to IDOC including an overview of the intake process, disciplinary codes, programs, and facilities.
4. Discuss with offender his/her current offense, criminal history, warrants, jail-time credit toward sentence, credit class, projected release date, etc.
5. Review court commitment and supporting paperwork.
6. Determine needs and make referrals to medical unit, dentist, psychological unit, etc.
7. Prepare classification summary and needs assessment.
8. Conduct, recommend, or initiate additional testing that might be useful (offender may refuse).

Following completion of the above steps, the offender appears before a classification committee for classification and assignment to a facility (this is sometimes referred to as the external classification stage). The offender is assigned to a facility based primarily on his/her security determination. IDOC security levels are: minimum, low medium, high medium, and maximum.

Any special needs that the offender might have are also considered when assigning him/her to a facility. For example, if the offender requires long-term or specialized medical care, these conditions would factor into the facility assignment process.

The third consideration for offender assignment is the availability of space at the various IDOC facilities. In many cases, space availability/overcrowding becomes the determining factor in assignment decisions. ***Overcrowding is the primary obstacle to the implementation of an effective classification system, and often thwarts even the best efforts to assign offenders to the appropriate facility.*** Upon arrival at his/her assigned facility, the offender will be further classified (internal classification) for purposes of housing arrangements, work assignment, and other factors related to his/her management within the facility.

Offenders are awarded credit time based on the credit class to which they are assigned. All offenders start in Credit Class I, earning a day of credit for each day served in prison. An offender in Credit Class II earns one day of credit for each two days served, and an offender in Credit Class III earns no credit time. An offender can be moved up or down in the credit class system based on positive behavior or disciplinary action.

The Indiana Department of Correction is currently undertaking a review, evaluation, and restructuring of its classification system and procedures. In November of 2001, three IDOC officials attended a workshop sponsored by the National Institute of Correction (NIC) regarding new research on classification systems. As a direct result of this experience, IDOC initiated a request to NIC for assistance with the following:

1. Validate the current classification instrument for adult males and adult females.
2. Determine if the current system produces excessive cases of over-classification (over-classification occurs when an offender is classified at a security level that is higher

- than what is actually necessary for the management of that offender).
3. Evaluate the use of overrides (overrides occur when a classification official who is authorized to do so “trumps” or overrules the classification designation as determined by the classification instruments and process).
 4. Examine security level criteria.
 5. Determine strategies to increase use of minimum security bed space.
 6. Review the internal (within facility) classification system.
 7. Validate the needs assessment.
 8. Determine if risk assessments are needed (facility and community).
 9. Determine if policies and procedures are used in a systematic manner.
 10. Make recommendations for the role of classification in a case management system.

Subsequent to this request, NIC awarded two professional corrections consultants a contract to provide IDOC with technical assistance. As of October, 2004, the following have been completed:

1. A reliability study of the classification designation instrument.
2. Development of two new classification instruments, one for adult males and one for adult females.
3. Development of a risk instrument.
4. Evaluation of overrides and override criteria.

The new classification instruments and risk assessment are currently being pilot tested, with the goal of having them ready for full implementation by January 1, 2005. IDOC has requested continuing technical assistance in the development of an internal classification system, an offender needs assessment instrument, and a community risk assessment instrument.

The importance of a modern, valid, and reliable classification system is fully recognized by IDOC officials. In terms of operational cost-efficiency, effective offender management, and successful offender reintegration back to society, classification plays a critical role.

Main Point 4: Reintegration

Almost all offenders currently serving prison sentences in America will eventually be released back into the community. A key question that must be addressed, therefore, is whether offenders will return to their criminal ways upon release, or whether they will instead be productive and law-abiding citizens. In large part, the answer to this question lies in the availability of rehabilitation programs and program staff inside the prison, and the extent to which offenders choose to take advantage of these programs for their own betterment. Some discussion of rehabilitation programs in the Indiana Department of Correction follows in Supporting Point #2, below.

An offender’s successful return to society is also influenced by what awaits him once he arrives at his destination. Offenders who have a strong social support system, adequate structure and supervision, and lawful alternatives to criminal behavior stand a good chance of

avoiding a return to criminality. The more offenders who remain crime-free and do not return to prison, the less the burden on the correctional system in terms of expenditures of precious resources (staff, housing, feeding, medical care, etc.). It makes good sense, in both humanitarian and economic terms, for corrections officials to do as much as possible to see that offenders, once released from prison, do not return.

The process by which an individual makes the transformation from “offender” to “ex-offender”, or even “citizen” is variously known as transition, reentry, or reintegration. The reintegration process begins while the offender is still in prison and continues after he is released into the community. Parole, as discussed above in Main Point #2, Community Corrections, constitutes an essential component of the reintegration process, but in many cases, something more is needed. Parole officials are typically saddled with heavy caseloads and are unable to provide the close, individualized supervision that many offenders need during their transition back to the community.

Recognizing the critical role of the reintegration process on an offender’s life and the community’s safety, researchers and corrections officials have in recent years renewed their efforts to develop tools, strategies, and programs that can increase the chances of success. The Indiana Department of Correction is currently engaged in two new programs designed to keep ex-offenders in the community and out of prison.

The Community Transition Program (CTP) involves the assignment of incarcerated offenders into a county community corrections program (or probation program in the absence of community corrections) for the last 60-180 days of their sentences. For example, an offender whose most serious conviction was a Class D felony may begin CTP 60 days prior to his/her Earliest Projected Release Date (EPRD), while one whose most serious conviction was for a Class A felony would become eligible 180 days prior to his/her EPRD. CTP is not a time cut; the offender’s date at which he will be released from prison (EPRD) remains the same as if he were still in prison. The difference is that he/she is “serving time” in the community instead of behind bars.

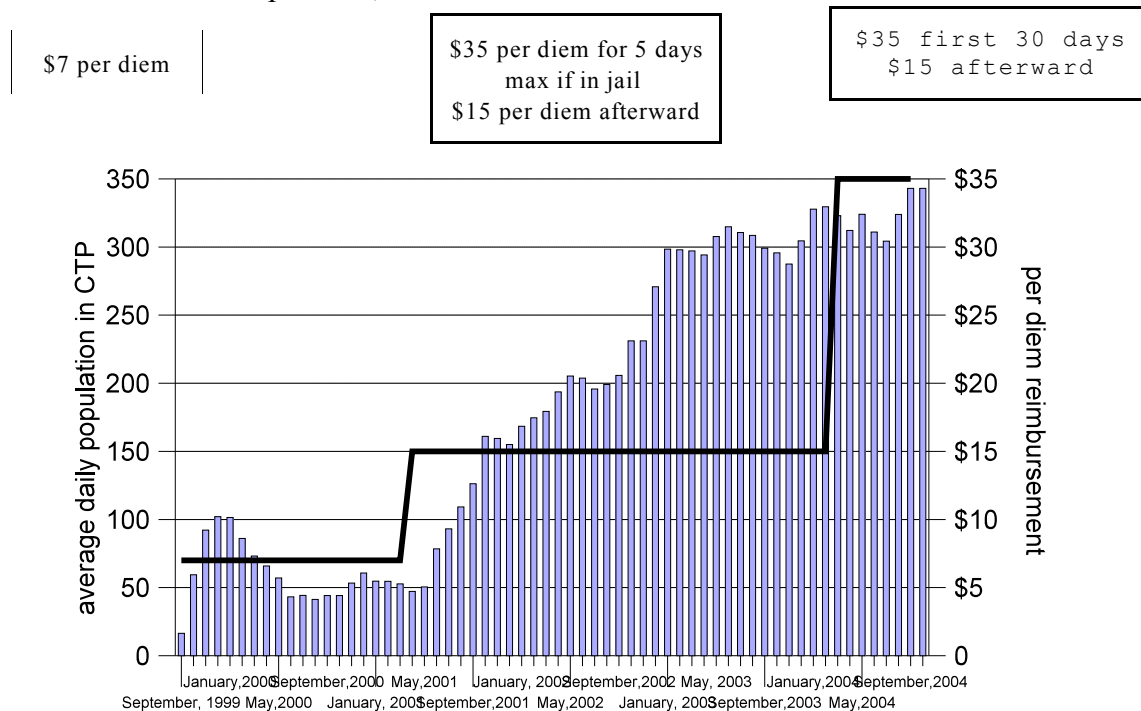
The following table shows the per diems reimbursed by DOC by time period:

<u>Time Period</u>	<u>Amount Per Diem</u>
July 1999 through March, 2001	\$7
March 2001 to February, 2004	\$15 and \$35 if CTP offenders are in jail for 5 days max
February, 2004 to present	\$35.00 for the first 30 days only

Offenders who are sentenced to less than two years in the IDOC, those sentenced to a term of life imprisonment, and those convicted of murder and related offenses (attempted murder, conspiracy to commit murder, or aiding in a murder) are not eligible for CTP; various other offenders are also excluded from the program. Furthermore, even eligible offenders may be denied CTP if the sentencing court does not approve their participation.

Offenders normally spend their first few days of CTP in the county jail while housing and programming arrangements are being finalized. Following this period, residence must be within the county in which the offender was sentenced, unless an exception is granted. Offenders are expected to pay for their own housing, food, and medical expenses, and to pay any assessed fees for electronic monitoring or other supervision. In the event that an offender who is eligible for CTP has a crime victim who is registered with IDOC's victim services program, the victim will be notified prior to the offender's transfer back to the community.

The following chart shows the average daily population in the community transition program by each month between September, 1999 and October 2004.



In addition to CTP, Indiana is working on another community transition and reentry program, the Indiana Offender Reintegration Project (IORP). In June of 2003, the National Institute of Corrections (NIC) awarded Indiana a technical assistance grant to develop and implement a reintegration program modeled after NIC's own Transition from Prison to Community Initiative (TPCI). The initial report on the work of the IORP steering committee was issued on September 17, 2004, under the title, "Indiana Offender Reintegration Project, First Report: Laying the Foundation .

The goals of the IORP are to promote public safety and reduce recidivism (repeated offending/incarceration); to these ends, needs-based practices in a case management approach are employed to assist offenders in their efforts to return to the community as productive citizens. "First Report: Laying the Foundation" details the progress that has been made toward the implementation of IORP to date. "First Report... has been provided to Governor Kernan and thus will not be discussed in detail here. In broad terms, however, much of the Steering Committee's work thus far has been devoted to conducting a "gap analysis" to compare Indiana's current

reintegration related policies and practices to the TPCI model.

Two recommendations applicable to all aspects of the transition model are:

- 1) System resources should be focused on offenders who are at the highest risk to re-offend and who pose the greatest threat to public safety upon release.
- 2) A system must be available to facilitate information sharing among transition partners and stakeholders.

Beyond these two broad recommendations, a good deal of “First Report... is devoted to the Transition Accountability Plan (TAP), which is a tool to place into action IORP’s entry to exit philosophy of offender case management. An offender’s TAP process begins soon after he/she enters prison, and continues through his/her incarceration, and release to community supervision; it even remains in effect after discharge from community supervision as a guide to human service agencies and an aid for offender self-support. The TAP:

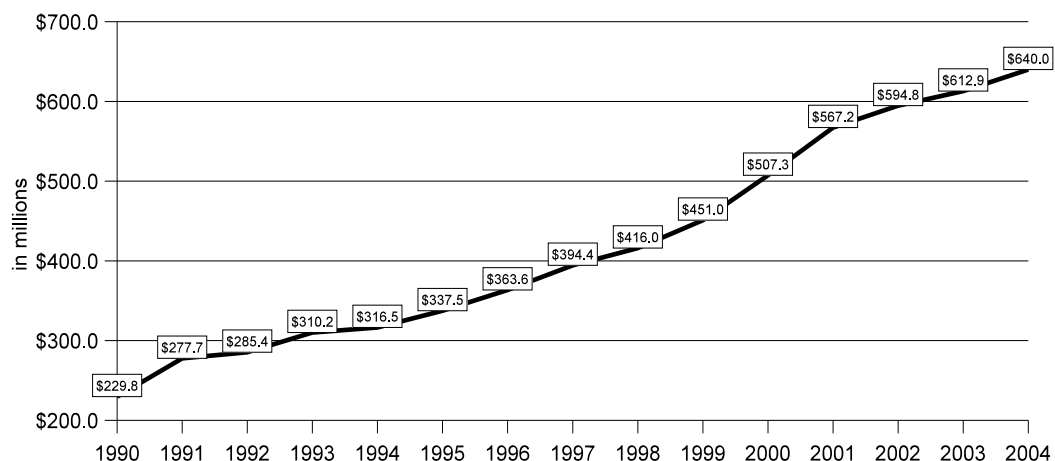
- 1) describes actions that must occur to prepare the offender for release from prison,
- 2) defines terms and conditions of release to the community,
- 3) specifies the supervision and services that he/she will receive in the community, and
- 4) describes his/her discharge to aftercare upon successful completion of supervision.

Progress on the Indiana Offender Reintegration Project is continuing through the Steering Committee and its several working groups. A report to the Policy Group is expected by January 14, 2005.

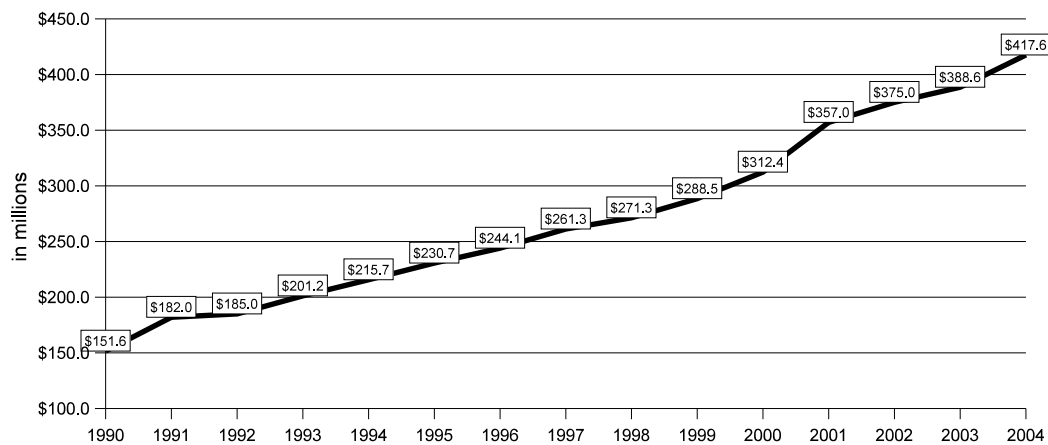
Supporting Point 1: Budgets and Expenditures

Analysis of DOC Expenditures:

The following chart shows the increase in expenditures for DOC between 1990 and 2004 fiscal year. ***These expenditures do not include PEN products.***



.1 Personal Services – While expenditures for personal services remains the largest portion of expenditures for the Department of Correction, this category declined slightly from 66% of total expenditures in 1990 to 65.3% of total expenditures in 2004.

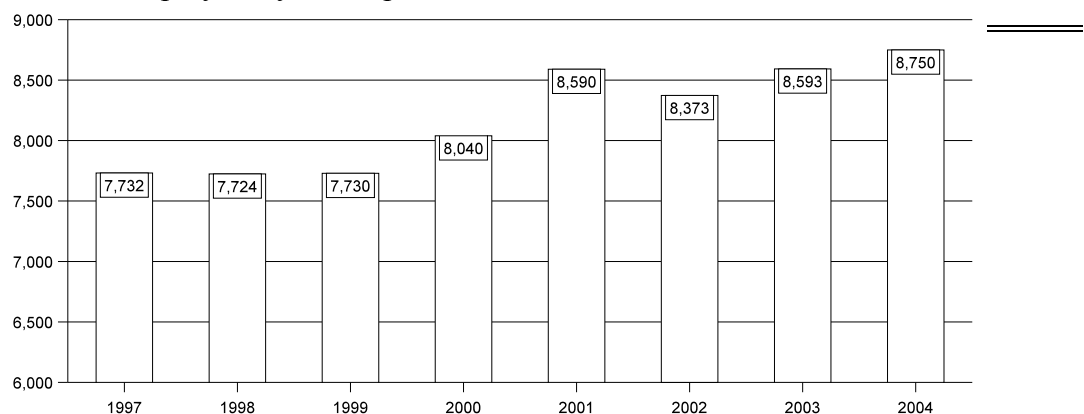


Changes in personal services expenditures can be explained by the changes between 1997 and 2004 for the following components:

- staff persons increased by 13%
- staff salaries increased by 31%
- medical costs increased by 118%, and
- fringe benefits increased by 32%.

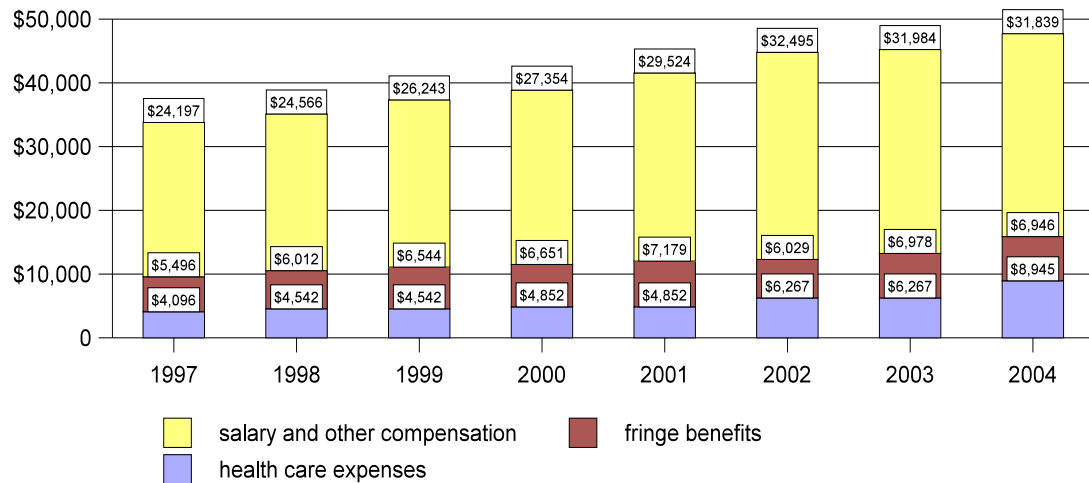
The following charts show the reported number of persons employed by the Department of Correction and the estimated costs of medical and fringe benefits and salaries and other compensation including salaries.

Staff Employed By the Department of Correction, Full and Part Time

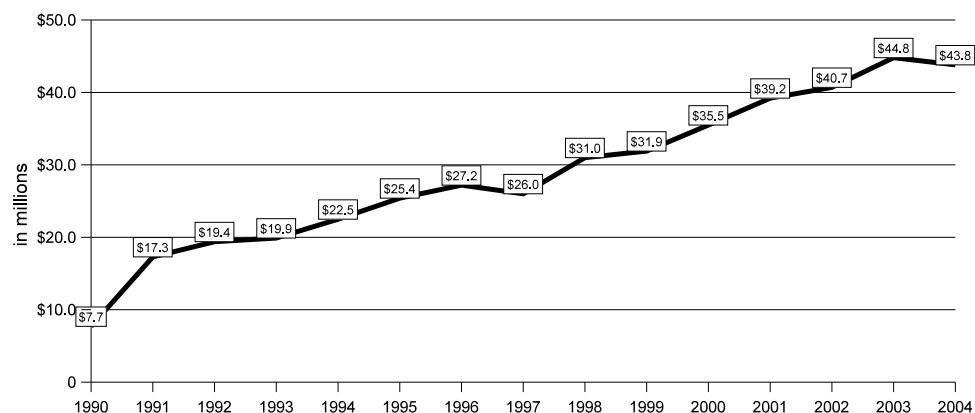


The following chart shows the changes that have occurred in health care costs, fringe benefits, salaries and other compensation for DOC employees between 1997 and 2004.

Health Care, Fringe Benefits, Salaries and Other Compensation for Employees in the Department of Correction



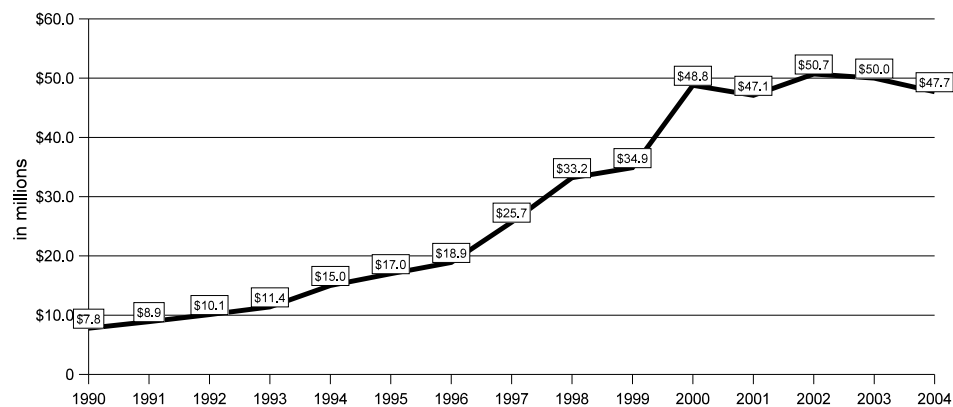
.2 Other Services – Other services includes many of the operating costs of a facility. In addition, the payments made to county sheriffs for holding offenders committed to DOC are also included in this account.



Between FY 1990 and 2004, this expenditure item increased from \$7.7 million to \$43.7 million. In FY 1990, DOC payments to county sheriffs for housing offenders committed to DOC was \$13,682 while in FY 2004, payments to sheriffs had increased to \$17.69 million.

Of the remaining \$26 million in FY 2004, the largest expenditures are for utilities. As an example, of the 14 adult institutions that house the largest number of offenders, \$20 million was spent on the .2 category, of which \$18 million or 87% was spent on utilities.

.3 Services By Contract – IDOC contracts with many entities for providing services ranging from computers and data base administration to housing adult offenders and juveniles in private and not for profit facilities.

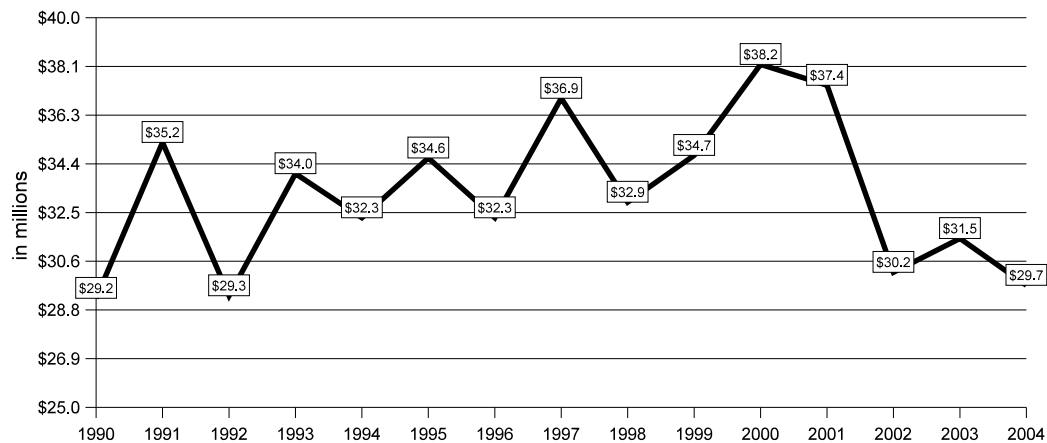


Expenditures in this category increased from \$7.8 million to \$47.7 million between FY 1990 and 2004. Of the contractual services in 2004, the majority of the expenditures were to house adult offenders and juveniles in facilities outside of DOC facilities and for contracting with other entities for specific tasks.

The following table shows where most of these expenditures occurred:

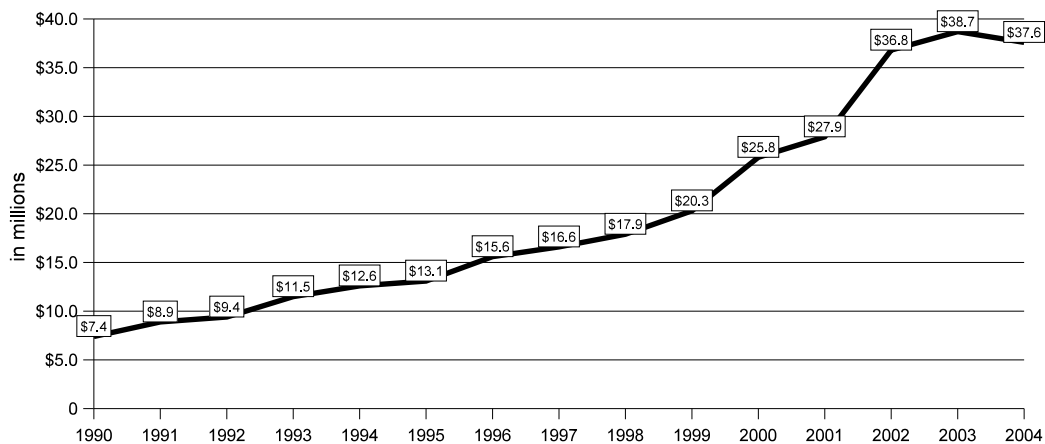
Account	Description in Auditors Report	Amount (In Millions)
Adult Private Facilities	Support-st Depend	\$11.09
Juvenile Private Facilities	Agreements & Fees	\$8.33
Juvenile Private Facilities	Support-st Depend	\$4.58
South Bend	Land/buildings	\$2.23
Community Corrections	Support-st Depend	\$2.18
Information Management Service	CDP Billback	\$1.22
New Castle	Agreements & Fees	\$1.11
County Jails	Medical Svc-st Depend	\$1.11
Correctional Industrial Complex	Other Service Fees	\$1.05
Pendleton	Agreements & Fees	\$1.03
Wabash Valley	Training	\$0.92
Central Office	Agreements & Fees	\$0.69
Subtotal of Expenditures		\$35.53
Total Expenditures under .3		\$43.70
Subtotal as Percentage of Total Expenditures		81.3%

.4 Materials and Supplies – This category includes the types of perishable items that facilities for supporting offenders in correctional facilities..



Based on an examination of three facilities, food, household supplies, stationery, and wearing apparel comprise between 84% and 90% of these purchases. The total expenditures for materials and supplies increased by less than 2% between 1990 and 2004. In 1990 expenditures under this point were \$29.2 million; while in 2004, the expenditure were \$29.7 million.

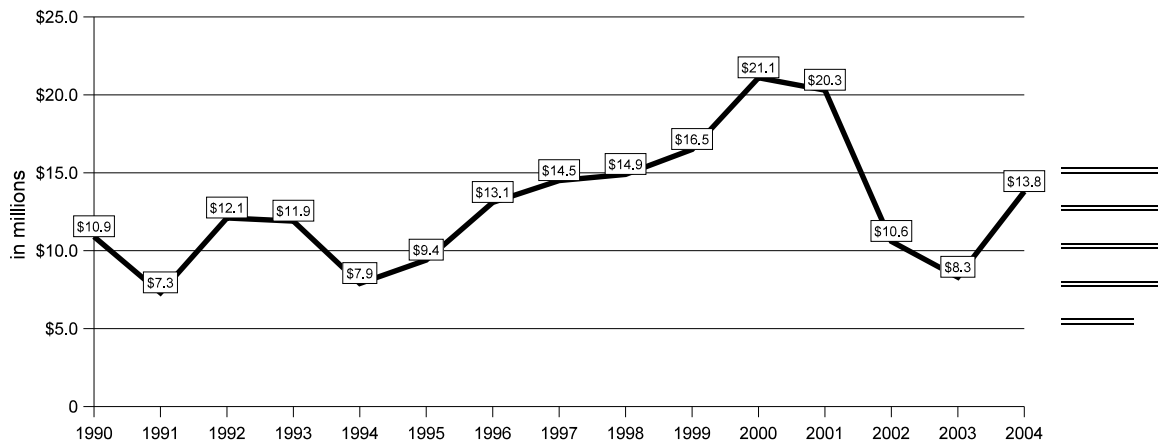
7 Grants – Grants from the Department of Correction increased from \$2 million in FY 1990 to \$37.6 million in FY 2004.



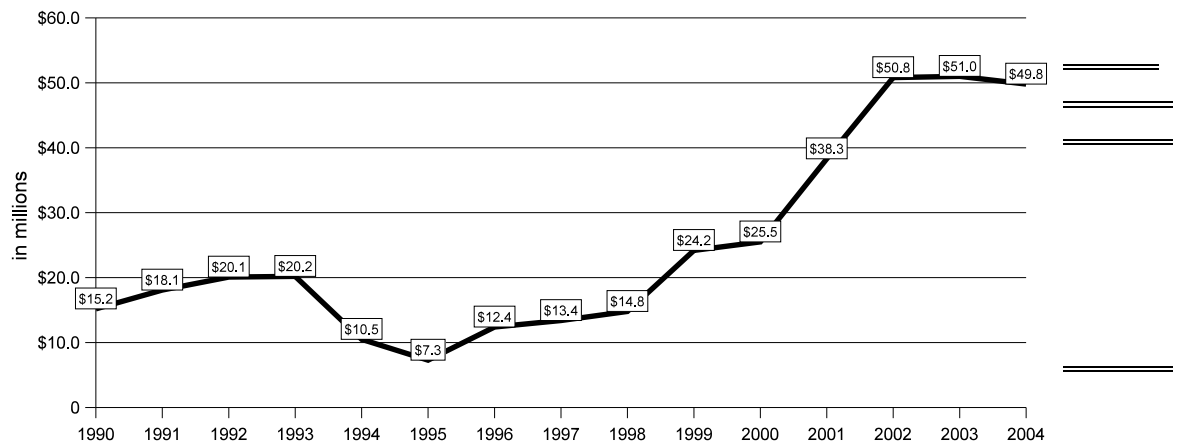
For FY 2004, DOC's three major grant objects included:

Grant for:	Amount	Percent of Total
Community Corrections	\$25,132,966	67%
Adult Work Release Programs	\$7,345,005	20%
County Jail Misdemeanant Housing	\$4,281,101	11%
Subtotal	\$36,759,072	98%

Other Accounts – This category includes equipment, land, in state and out of state travel and preventative maintenance. This group of expenditures increased from \$10.9 million in 1990 to \$13.8 million in 2004. Equipment and preventative maintenance comprise most of these costs.



Medical Costs for Offenders – DOC reports that prior to 1998, medical staff were included under the personal services category. Since 1998, DOC has changed from solely managing the health care for offenders and juveniles to developing a partnership with Prison Health Services. The chart below shows the costs for medical care provided for offenders and juveniles in hospitals and other health care facilities off grounds of DOC facilities prior to 1998. It does not include the medical personnel that were included in the personal services account prior to 1998.



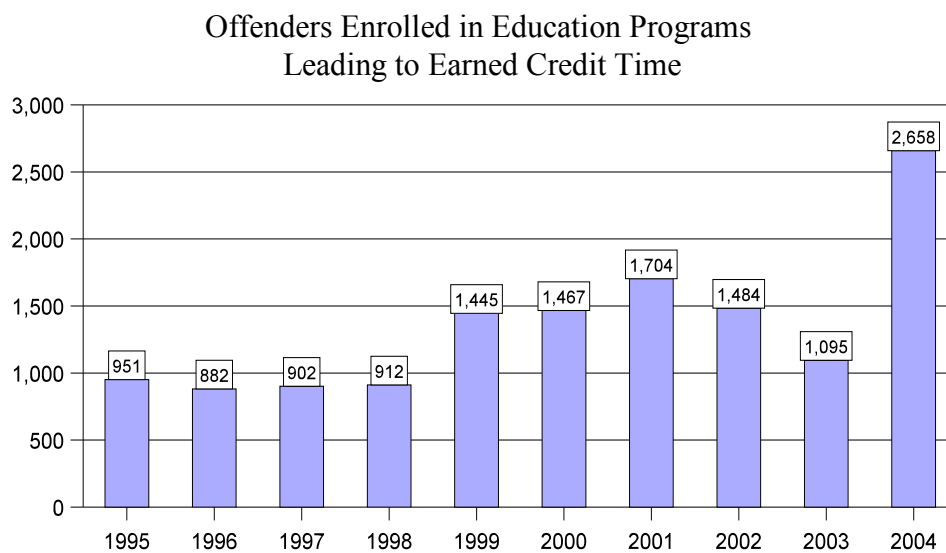
Supporting Point 2: Offender Education and Drug Treatment Programs

Efforts to address offender overcrowding issues without building more facilities include enrolling more offenders in educational and substance abuse programs (which lead to a reduction in incarceration time).

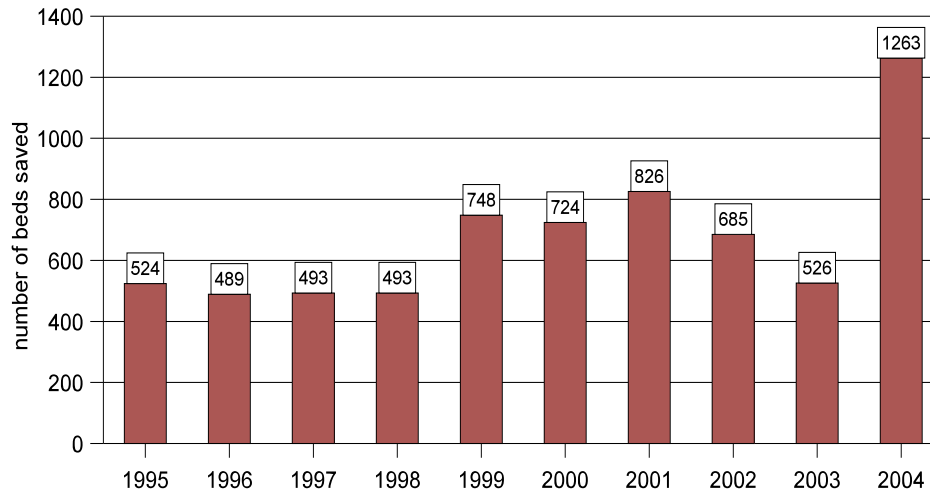
Under current law, offenders receive the following time cuts for completing the following requirements:

For completing...	Current
General Education Development Diploma	6 months
High School Diploma or Associate's Degree	1 year
Bachelor's Degree	2 years
Certificate of Completion of a Vocational Education Program, or Literacy or Life Skills Program	6 months

This has resulted in time cuts saving between 500 and 1,200 beds annually from education programs and between 260 and 1,000 beds annually from substance abuse treatment programs.

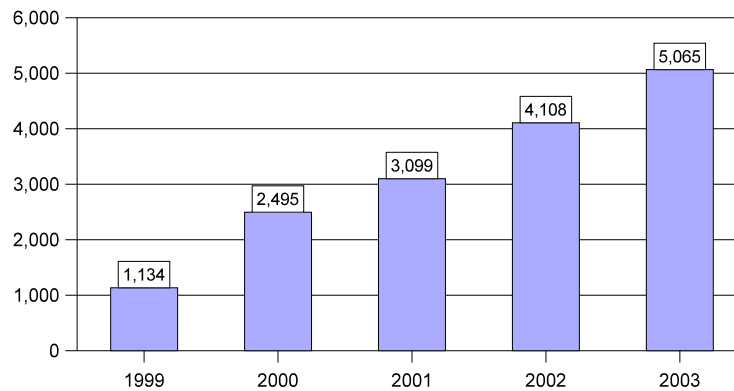


This has resulted in time cuts saving between 500 and 1,200 beds annually from education programs...

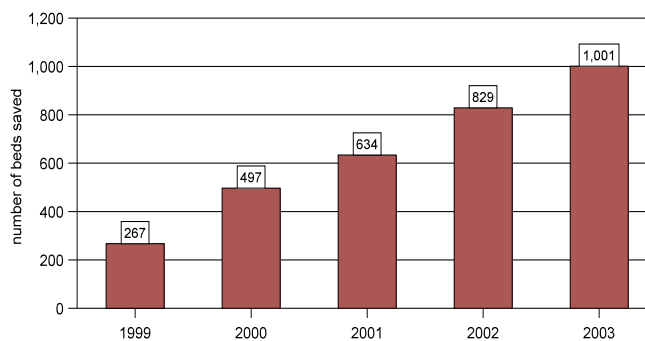


In addition, offenders can also receive an additional 6 months credit time when completing a Substance Abuse Program.

Offenders Enrolled in Substance Abuse Programs Leading to Earned Credit Time



.... and between 260 and 1,000 beds annually from substance abuse treatment programs.



Supporting Point 3: PEN Products

The General Government Subcommittee of the Indiana Government Efficiency Commission (IGEC) selected the Department of Correction (IDOC) as one of the Agencies for analysis under the charter of the enabling legislation, Section 244 of the Current Budget Bill. Within the IDOC specific attention was given to PEN Products which represents a unique function within State Government. Due to the resource limitations placed on the IGEC by the enabling legislation the analysis of PEN Products was assumed exclusively by S. W. Baranyk, Chairman, General Government Subcommittee (GGS).

Several meetings were held with key members of the Pen Products staff including:

Dr. Nancy Broglin, Ed. D., Director
Bill Tatum, Industries Operations Manager
Becky Gilliam, New Enterprise Development Manager
Michael H. Jones, Controller
Jennifer Swenson, Sales Manager
Lin Paul, Farm and Food Operations Manager

Both quantitative and qualitative information was provided during these meetings which are the basis for this report.

PEN Products operates under a legislated charter as follows:

IC 11-10-6-2

Industry and farm programs; establishment and administration; recycling programs

Sec. 2. (a) The department shall establish, maintain, and operate industry and farm programs for offenders designed to equip the participant with a marketable skill which will provide to the participant a means of earning a livelihood upon the participant's return to the community. The department shall appoint an administrator who is the chief executive officer of the industry and farm programs. The commissioner or the administrator in charge of the industry and farm programs shall be responsible for planning, coordination, operation, and employment and supervision of personnel of the industry and farm programs at the correctional institutions. The programs may include:

(1) the production, manufacture, raising, or processing of any product or item for use or sale by the department;

(2) entering into contractual agreements and other arrangements with other state agencies or political subdivisions for the employment of offenders, including employment involving the conservation and improvement of the natural resources of Indiana or its political subdivisions; and

(3) the employment, to the extent that is practical within the industry and farm programs, of those offenders who have received specialized vocational training by the department.

(b) The department shall examine the feasibility of, and, if reasonably achievable, develop programs for:

- (1) the production of products using recycled materials; or
- (2) processing waste materials.

As added by Acts 1979, P.L.120, SEC.3. Amended by P.L.10-1990, SEC.10.

The key words which form the Mission of PEN Products are:

“to equip the participant with a marketable skill which will provide to the participant a means of earning a livelihood upon the participant's return to the community.

In meeting this charter PEN Products has established a series of Work Rules governing the employment of offenders within the IDOC system. The availability of individuals trained, willing and able to perform within these work rules would be welcomed by many business owners, not only in Indiana but also in other States.

As an example, offenders are selected through an application process to work in PEN Products. Simply being an offender, while necessary for employment, is not sufficient. The selection process is thorough and vigorous to avoid placing individuals into the PEN Products work environment who are not attitudinally attuned to succeeding within that environment.

Further, once in the PEN Products work environment, failure to obey the work rules will have immediate consequences to correct the undesirable behavior. As an example, offenders employed within PEN Products may not bring reading materials with them into the work environment. This includes newspapers, magazines and religious materials. The point is to focus on the work to be done, the assigned tasks and not on “other issues”.

As stated above, individuals who have accepted these rules as a condition of employment have the potential to make superior workers in the private sector. Fundamental to a successful transition from incarceration into the private sector is the willingness to accept supervision, from many sources, and to perform at the required level. The PEN Products offender employment programs should help to build these basic attitudinal skills along with other functional skills which will equip the participants for a successful return to a normal life.

Given the mission of PEN Products and the potential benefits to our society of successful implementation of that mission there should be broad and strong support from the public and in turn from the legislature to achieve success.

STATISTICS

During F.Y. 2004 total PEN Products sales amounted to \$36.8 million. Almost 2000 (1949) offenders were employed representing about 10% of the total adult population in those IDOC facilities with a PEN Products operation. This is compared to sales of \$46,539, 098 during FY 2003 with a total Offender Employment level of 2013. Sales to State and Local Government agencies (Traditional Industries Group) accounted for approximately 41.45% of total PEN Products sales during FY.2004 with sales in the Farm and Food Group accounting for an additional 39.88% of total sales. The Indiana BMV, during those years when it purchases new license plates, is by far the largest customer of total PEN Product sales followed by the Department of Correction.

Total employment in PEN Products fluctuates, and was 1,949 during FY 2004, out of a total adult offender population of 20,812. or approximately 9.4% of the total adult offender population. Within those facilities with a PEN Products operation the percentage of the Adult Offender population employed by PEN Industries grows to about 10%. These percentages fluctuate with “business conditions” within PEN Products such as the demand for license plates, etc.

Offenders employed in PEN Products contribute to society via their work and the wages they earn. During F.Y. 2004 offenders employed within PEN Products earned gross wages in excess of \$2.00 Million; paid State, Federal, Social Security, and Local taxes in excess of \$300,000; contributed in excess of \$250,000 to the Victim’s Compensation Fund; and reimbursed the Department of Corrections in excess of \$900,000 for the costs of their incarceration. No matter how it is measured, these outcomes are all positive for the public, the victims, and the offenders.

The real value of PEN Products to the citizens of Indiana lies in the comparison of the costs to “house” an offender within the system compared to the economic contribution of a gainfully employed adult. During FY 2004 the per capita cost of housing an adult offender within the IDOC system was approximately \$ 21,671 or about \$59.37 per day. By returning offenders who can hold down a job and pay taxes to their private lives in the free society, the IDOC not only avoids these growing per capita costs, it also avoids the cost of constructing new facilities which can cost about \$60,000 per bed not to mention the costs of staffing these facilities. The savings to the IDOC and to the citizens of Indiana derived from enabling released offenders to become productive tax paying members of our free society are enormous. Conversely, the costs incurred due to the failure of a number of offenders to successfully adjust to free society are unacceptably high and beyond the financial means of the citizens of Indiana.

Thus, the conclusion one is driven to is that it is in everyone’s best interest (the citizens of Indiana and the offenders themselves) to take those steps necessary to enable adult offenders within the IDOC system to gain the attitudinal and practical skills needed to enable them to lead productive lives once they are released.

From a financial point of view PEN Products has not received any General Fund money in support of its operations for a number of years. In fact, in recent years Pen Products has remitted to the State approximately \$6.0 million from its own cash balances to help with the current fiscal difficulties. This is one more reason to promote successful programs within PEN Products for the adult offender population to reduce the long term costs of operating the IDOC system.

In attempting to identify possible “inefficiencies” within PEN Products our analysis looked for signs of waste or ineffective allocation of resources. Given the lack of supporting resources provided by the enabling legislation we were not in a position to perform an in-depth analysis of these issues. Some general analytical observations, however, can be drawn.

CONSUMPTION OF GENERAL FUND CASH

For some years now PEN Products has not received any General Funds to support its operation. Historically it did consume cash from the General Fund but in recent years changes and

improvements have been made to eliminate the need for General Fund monies. More to the point during the last two Fiscal Years Pen Products has returned to the General Fund approximately \$6.0 Million from its on hand cash balance. On this basis it is difficult to conclude that current operations are significantly inefficient.

INCOME EARNED BY OFFENDERS AND THE DISTRIBUTION OF THESE EARNINGS

As noted above offenders employed by PEN Products are paying State and Federal Taxes, reimbursing the IDOC for the costs associated with their incarceration and paying restitution to their victims. Each and every dollar earned and paid as described above is a multiple gain for the citizens of Indiana. These earned dollars not only offset costs, add to tax revenues and reimburse the IDOC for incarceration costs, they put back into circulation within the economy money which would otherwise not be there.

Add to this the sense of accomplishment and self worth combined with the improved behavior by offenders who are employed by PEN Products (reduced strain on Correctional Officers and staff, reduced wear and tear on IDOC facilities and reduced “internal assaults/altercations within the IDOC system) and the gains become huge.

The positive impact on offenders employed by PEN Products who can not only “support themselves while incarcerated but who can also begin the process of restitution and self rehabilitation only serves to reinforce the conclusion that every effort should be made to provide meaningful employment through PEN Products to as many adult offenders as possible while they are incarcerated within IDOC.

REDUCED RECIDIVISM

There is a missing element in the measurement of the efficiency of PEN Products. No definitive data are available to define the measurable impact on the reduction to recidivism through employment within PEN Products compared to the recidivism of those adult offenders who do not participate in PEN Products work while incarcerated.

In many ways, PEN Products is ahead of other agencies as they do measure their operations using sound financial analysis tools and analytical methods. Given that they have these measures in place, it is disappointing and frustrating that the management of PEN Products along with the management of the IDOC have not implemented a system to track recidivism among those who have been successfully employed by PEN Products as offenders and then to compare this data to those offenders who do not have a successful employment experience with PEN Products while incarcerated.

The management of the IDOC and PEN Products have stated that steps are being taken to identify effective means of measuring recidivism for implementation within IDOC. This should be a high priority project within IDOC. This effort can serve as a guide to other agencies in establishing effective measures of results actually produced compared to results hoped for.

PEN Products has demonstrated that employing offenders in meaningful work while serving the time of their sentence helps everyone; the offenders, private citizens and our free society. Further, this employment serves to meet the specific mission of PEN Products as expressed in the enabling legislation.

PROVIDING A SOURCE OF EFFECTIVE EMPLOYEES TO THE PRIVATE SECTOR

This is the other side of reducing recidivism, and may be the most important issue. There is widespread recognition that Indiana needs to “create more jobs . Creating jobs is only creating an opportunity. There must be capable individuals willing to effectively perform the work associated with these jobs. Without the availability of an effective work force job creation is a fool’s errand.

Many job opportunities can be filled by individuals with some basic skills who are capable of being trained to perform specific tasks. While basic work skills are important, the most critical attribute of a potential employee is ATTITUDE.

Skills can be taught on the job in many different ways. Attitudes are almost impossible to change over the short term. Very few employers can afford the costs associated with changing employee attitudes. To the extent that employment by PEN Products can develop these attitudes and skills within offenders while they are incarcerated, these individuals can become very desirable employees once they return to the private sector.

The FULL REPORT on PEN Products is attached as an item in the Appendix of this report.

Supporting Point 4: Facility Superintendent Concerns

In an attempt to assess employee concerns, the Corrections Task Team asked IDOC facility superintendents, via e-mail, to comment on the following issue areas:

- legislation,
- departmental policy,
- administration,
- financial/budget, and
- programs.

In some cases, superintendents solicited comments from subordinate facility staff, thus broadening the range of response levels throughout the Department. Confidentiality of responses was assured, as was (to the extent possible) anonymity.

Not surprisingly, legislative concerns centered on the prevailing twin themes of “too many offenders and not enough money. Respondents consistently expressed their belief that legislators were too concerned with “getting tough on crime without providing corresponding financial resources to safely house and effectively manage the large numbers of offenders produced by these policies.

Some respondents stated that too many offenders were being incarcerated past the time at which they were no longer a danger to the community. Long-term incarceration (in some cases into the elderly years) of low-risk offenders increases costs due to medical care for an aging offender population and by filling beds that would be better utilized for higher-risk offender. Respondents also wonder why the newly added beds at Miami Correctional Facility and New Castle Correctional Facility are not being opened and utilized; the suggestion is that 'politics' is a primary factor in the decision to keep these new beds off-line.

Expanding the offender population without providing appropriate financial resources does more than place a strain on prison operations, it also impacts offender rehabilitation and readjustment back to the community. The longer an offender stays in prison, the more difficult it is for him/her to reenter society upon release. Realizing that some offenders should serve long sentences, respondents seem to feel that current sentencing laws lack room for sufficient judicial discretion. Budget shortfalls also mean a reduction in offender programs directed toward reducing post-release criminality, and/or a reduction in staff to support those programs.

In summary, a commonly expressed sentiment is that legislators simply are not willing to "tell it like it is" to their constituents- "you can't lock up large numbers of offenders without the funding to make the system work"; and "the system is expensive."

Several specific areas were addressed by facility staff related to department policy and personnel issues. Policies and procedures for hiring, training, and retaining adequate numbers of qualified employees were chief among the listed concerns. For example, there was considerable dissatisfaction expressed about the "Freeze Committee" that makes decisions at the "Central Office" level about filling vacant positions at the facilities. Facility staff feel that decisions on filling vacancies should be left to them since they can better understand facility needs.

Additional remarks related to personnel issues addressed the need to retain qualified employees while weeding-out those who are irresponsible or non-productive. A number of respondents commented on the lack of a merit system that would provide rewards and incentives for employees who are genuinely committed to doing their jobs in a conscientious and professional manner. Along this same line, comments were made concerning a need to reevaluate the IDOC employee appraisal system. There was also some support expressed by respondents that IDOC should utilize a staff drug testing policy.

Some superintendents and staff see a need for better alignment between job position titles, qualifications, salaries, and actual work done. A suggestion was made to utilize part-time workers and job-sharing as ways of attracting qualified persons who might like to work, but not on a full-time basis and would not want or need employee benefits (perhaps if a spouse was already receiving family benefits through other employment). A policy allowing "banking" of sick days and vacation days for compensation upon retirement was also suggested as an incentive to keep employees on the job; current policy was said to encourage "earn and burn" behavior that simply contributes to posts not being filled or to more overtime by other employees. A final personnel issue that was addressed by several respondents was that of Family Medical Leave. Abuse of FML

is seen as common, with the suggestion that it not be permitted until after a probationary period of six to twelve months.

In addition to the personnel issues discussed in the preceding paragraphs, two other departmental policy issues were mentioned.

First, some respondents expressed concern that offender disciplinary policies have become too detailed and cumbersome, now resembling a criminal proceeding rather than an administrative one. Staff response to such perceptions could include a reluctance to “write up” offenders who genuinely need to be disciplined.

Second, more than one respondent stated that requiring new programs without funds and staff to adequately support these programs (unfunded mandates) leads to low morale among both staff and offenders.

Supporting Point 5: DOC Initiatives to Economize

DOC has made successful efforts in the following areas to reduce the operating costs of the IDOC.

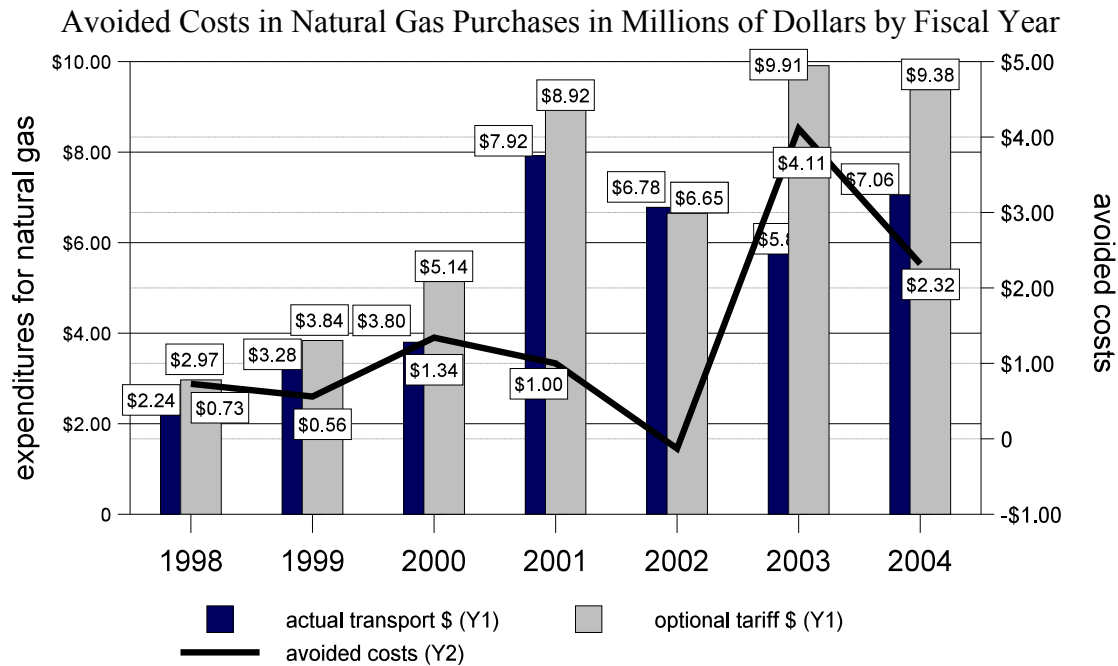
- utility costs
- medical care costs
- literacy skills initiative
- substance abuse counseling
- general education program

Utility Costs

IDOC utility costs increased by over 450% between FY 1990 and FY 2004. Since 1997, the Management of the IDOC has been aggressive in looking at the causes of utility increases and trying to find ways to minimize future increases or reduce costs.

Increases in FY 00/01 (\$1.1 million at Miami and Pendleton Juvenile) and FY 02/03 (\$1.2 million at Miami and New Castle) were due to bringing new capacity on-line.

The chart below traces the cost avoidance that the Department has realized by purchasing natural gas on the open market with its private sector partners London Witte Group and Energy USA TPC. Before implementation of this system in FY 97-98, the Department just paid its natural gas bill, no questions asked. Since implementation of this program, the Department has avoided over \$9.9 million in natural gas costs over the last seven fiscal years.



In January of 2001, the Department partnered with the Town of Ingalls and Aqua Source to provide water for the three department facilities in the Pendleton area (CIF, Pendleton Juvenile, and IR). Another private sector firm, London Witte Group served as our technical advisor. By reaching this agreement, the IDOC achieved the following:

1. Able to save \$1.5 million in construction capital that would have been expended to upgrade the water plant at the Indiana Reformatory.
2. Fixed water costs for a period of twenty years while avoiding an estimated \$1.3 million of costs during the same period.
3. Assisted the Town of Ingalls by enabling them to avoid a projected 60% increase in water rates and giving them the capacity to extend water service to their entire community.

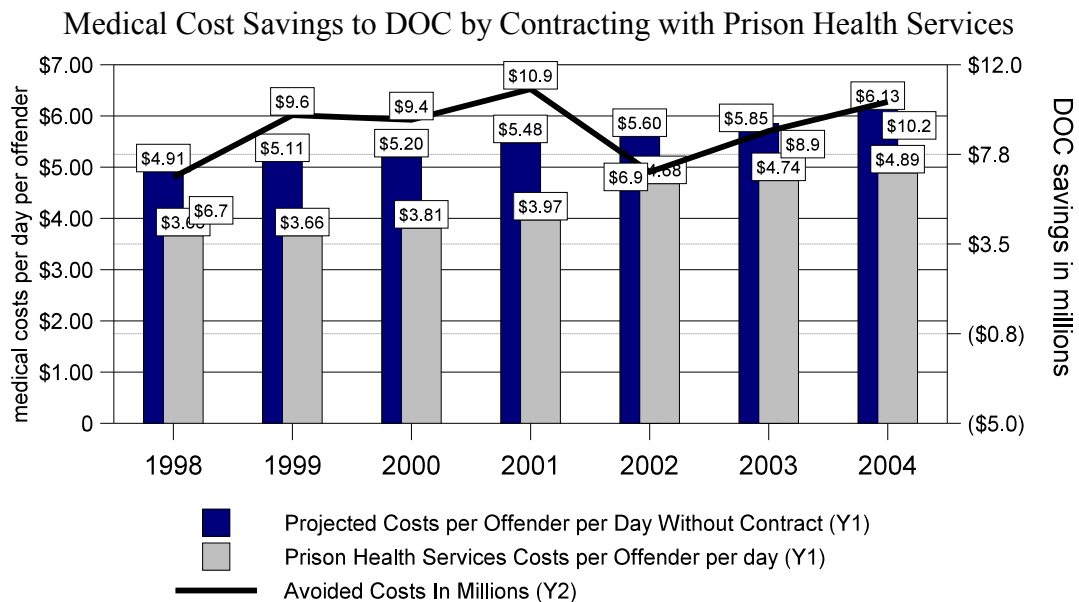
In December of 2002, the Department partnered with London Witte Group and Town and City Energy USA to reduce water rates for the Miami Correctional Facility. The actual savings for FY 03-04 were \$599,400 and are projected to be approximately \$704,000 for FY 04-05.

Medical Care Costs

Using FY 1995-96 as a base line IDOC Medical Expenditures were \$26.8 million excluding the costs of the nursing staff as called for in the contract between the contractor Prison Health Services (PHS) and the IDOC.

This program has enabled the IDOC to avoid **\$62,520,000** in Medical Costs for Offenders through F.Y. 2003-04. Savings of this magnitude can be expected to continue to occur in subsequent fiscal

years. These savings are significant in view of the difficult fiscal position of the State in funding not only the IDOC but also other critical services. The following chart illustrates the savings that DOC realized through this contracting arrangement.



* Fiscal year 1997-98 was the initial year of the contract. Therefore, not all offenders were included for the entire year.

Notes: The number of offenders for 2003-04 was calculated using the Offender and Student population monthly reports distributed by the IDOC Division of Planning.

Literacy Skills Initiative, Substance Abuse Counseling and General Education Programs

The IDOC has engaged in a series of Education and Substance Abuse Counseling programs designed to both prepare offenders for successful reintegration into free society upon release as well as to reduce the level of the IDOC offender population through “credit time” for participation in these programs.

Since F.Y. 1999 the IDOC “saved” between 260 and 1,000 bed annually through Substance Abuse Counseling programs. Since F.Y. 1995 the IDOC has “saved” between 500 and 1,200 beds annually through Educationally Programs.

Without the impact of these initiatives the problem of overcrowding would have been much worse than the situation described above under Offender Population Issues in which it was noted that between 1996 and 2004 the adult daily offender population increased by over 8,000 while the number of beds increased by only 3,550.

The successful administration of the Educational and Substance Abuse Counseling programs has enabled the IDOC to avoid some combination of:

Adding additional capacity,

Absorbing additional overcrowding,

Contracting the incarceration of larger numbers of offenders to outside services.

CONCLUSIONS

The work of the CTT of the GGS has lead to the conclusion that significant savings are not now immediately available within this Agency due to the complexity (size, composition and the dynamics) and growth rate of the offender population and the demands for offender services such as rehabilitation from substance abuse and other costly medical related needs. Further, the ability of the Department to effect serious rehabilitation in the offender population is adversely impacted by the combination of budget constraints and severe overcrowding in certain facilities.

Offender population is the central issue governing the cost of operating the IDOC. The size and demographic composition of the offender population of the IDOC is essentially outside the control of the IDOC. Even so, the IDOC is attempting to use a number of programs to better manage the offender population including offender classification at the point of entry into the IDOC system. Overcrowding is the primary obstacle to the implementation of an effective classification system within the IDOC and the current level of overcrowding at several sites often thwarts the best efforts of the IDOC to assign offenders to the appropriate facility resulting in higher per capita incarceration costs.

The IDOC is using a wide variety of programs to control operating costs including:

- Contracting with outside agencies to house offenders,
- Using competitive market methods to reduce utility costs,
- Using contractors to provide medical services,
- Using an Offender Classification system to reduce the costs of incarceration by placing offenders in the least costly facility,
- Promoting and utilizing a series of Educational, Skill Development and Counseling Programs which both better prepare offenders for successful reintegration into the free community as well as reduce the sentences to be served through the accumulation of “credit time”.

Given that the Mission of the IDOC is to protect the public by operating facilities and programs in a safe, secure, effective, and accountable manner and given that,

The size and demographic composition of the IDOC offender population is the key factor which determines the cost of operating the IDOC,

The IDOC has no control over the rate at which offenders enter the IDOC system,

The offender population has been growing at over 4% per year for a number of years,

The offender population demographics have resulted in rapidly increasing demands for medical, educational, counseling and other services,

The IDOC is using various educational and counseling programs to reduce the time offenders are incarcerated within the system,

The continued and increasingly significant problem of overcrowding is draining resources away from the various educational and counseling programs thus impeding the ability of the

IDOC to effectively prepare offenders for re-entry into the free community and to provide the needed opportunities to earn “credit time” ,

The IDOC is using a variety of innovative programs to reduce the costs of operating the IDOC system without which the costs of operating the IDOC would be substantially higher than the current level,

The State of Indiana is unable at this time to fully fund the total needs of providing both housing as well as the services demanded by all of the offenders sentenced to serving time within the IDOC system,

One is forced to conclude that the Administration of the IDOC is demonstrating innovative and competent management to meet the Mission of the IDOC while working to control costs under at best difficult circumstances.

The use by the IDOC of contract services outside of the State of Indiana to incarcerate Indiana offenders has become controversial with no real resolution in sight.

The IDOC argues that using such services is less expensive than housing these individuals within the IDOC.

The Legislature prevents, via specific and deliberately restrictive legislation, the IDOC from accommodating these additional offenders in currently vacant newly constructed facilities at both New Castle and Miami Valley.

The families of the offenders argue that placing their family members in these remote locations makes it difficult for them to maintain normal family contact.

The only way it can be argued that it is cheaper to contract with services outside of the IDOC to house IDOC offenders while the IDOC has idle capacity within its own facilities is to ignore the cost of capital associated with building additional prison capacity.

Under the current cost accounting methods used within our Indiana State government no cost is assigned for those newly constructed facilities in New Castle and Miami Valley which remain idle because of specific, deliberate actions by the Legislature.

If, as in the private sector, appropriate capital costs were assigned to the Operating Budget of the IDOC for these idle facilities it would be all but impossible to economically justify housing offenders outside of the IDOC system in contracted facilities.

This is one more example of the distorted managerial decisions caused by the inadequacies of the current accounting system used within our State government which are discussed in the Executive Summary Report of the General Government Subcommittee of the Indiana Government Efficiency Commission.

The budgetary problems faced by the State which are preventing the State from adequately funding the IDOC within the current sentencing environment prove that it is a contradiction to take a position of being "tough on crime" while professing to be a fiscal conservative in budgetary matters.

Given that the IDOC has no direct control over the inflow of offenders into the IDOC system it is incumbent on both the Legislature and the Executive Branch to continue to pursue programs aimed at reducing the flow of offenders into the IDOC system. These include the work of the Sentencing Policy Study Commission and the Offender Reintegration program and others.

It is the conclusion of the CTT of the GGS that the Legislature and the Governor must continue to work both on reducing the flow of offenders into the prison system and accelerating the flow of offenders out of the prison system back into the community. Programs aimed at these objectives are now underway and some positive results are being experienced. Some of these programs are impacted by local/county politics where judges may prefer one form of program to another. In other cases there has been insufficient local support for reintegration programs such as Community Transition. In some cases counties have constructed county jails with capacity exceeding their needs with the intention of contracting with the State to house "selected" offenders and through this receiving per diem payments from the State as a means of paying for the facility.

At this time there does not appear to be any clear cut way to significantly reduce the cost of operating the Department of Correction (IDOC) without dramatically changing both the size and the composition of the offender population.

Community reintegration programs and the study being conducted by the Sentencing Policy Study Committee are key elements in the strategy to rein in the costs of operating the IDOC. The rate of inflow of offenders into the system must be reduced and the rate of outflow of offenders from the system must be accelerated. Without major changes to these

two key parameters the cost of operating the Indiana Department of Correction will continue to increase at a rate faster than inflation and faster than the growth in the offender population.

The issue of identifying how to improve the efficiency of operating the Department of Correction requires more time, talent and resources than those which were available to the GGS. This would be one of the key areas for study by the new Office of Government Efficiency Improvement recommended in the Executive Summary report of the GGS.

The GGS believes much, much work needs to be done in educating the public to the facts associated with the costs of operating the IDOC and the steps needed to reduce these costs or at least curtail their rate of growth to something closer to the growth in offender population. The public needs to better understand the costs of dealing with those criminals “we don’t like compared to the costs of dealing with those criminals “we fear .

RECOMMENDATIONS

The Legislature and the Governor must exercise a very high level of leadership through a concerted effort to educate the general public on the facts of both financially operating the IDOC as well as implementing new controls on the flow of offenders into and out from the IDOC system.

It is obvious that the current policies are not working as the IDOC is not able to effectively control the annual cost of operating the Department while simultaneously providing all of the needs and various services demanded by the offender population including those which lead to earning “credit time .

The potential result of the current policies regarding funding and sentencing could prove to be a reduction to the rehabilitation work performed by the IDOC leading in the future to an increase in the rate of recidivism.

The Legislature and the Governor must continue to support the work of the Sentencing Policy Study Committee along with the work of the Offender Reintegration Program and must proceed to making those changes in public policy needed to effectively implement their recommendations.

As quickly as possible the Legislature and the Governor must find ways to open up and effectively utilize the idle capacity at both the New Castle and Miami Correctional facilities in place of contracting with outside agencies for incarcerating Indiana’s offenders.

Allowing these facilities to stand idle does no good to either the citizens of Indiana, the IDOC and the idle facilities or the offender population and their families.

By opening up these facilities they will be protected from deterioration which can and will occur if these facilities are allowed to stand idle for any length of time beyond the current period of idleness.

Effective utilization of these facilities should help to relieve the overcrowding problem, bring many of those offenders now housed outside Indiana back into Indiana, and enable key rehabilitation programs to expand their levels of participation.

The IDOC must continue to pursue every opportunity for reducing operating costs through innovative programs such as those now in place for natural gas and water.

The Legislature and the Governor must help the citizens of Indiana to better understand the true costs of the current public policies regarding criminal incarceration and in the process to learn to more clearly distinguish between those criminals “we don’t like” and those criminals “we fear” so that the public will accept the changes to our sentencing policies which are needed to relieve overcrowding and the resulting problems brought on by these conditions without building any more new prisons.

NOTES

The Government Efficiency Commission was created as a part of the Budget Bill. The Charter of the Commission is defined in Section 244 as follows:

SECTION 244. [EFFECTIVE JULY 1, 2003] (a) As used in this SECTION, "commission" refers to the government efficiency commission established by subsection ©).

(b) As used in this SECTION, "state educational institution" has the meaning set forth in IC 20-12-0.5-1.

©) The government efficiency commission is established.

(d) The commission consists of the following members:

(1) One (1) co-chairperson appointed before July 16, 2003, by the president pro tempore of the senate.

(2) One (1) co-chairperson appointed before July 16, 2003, by the speaker of the house of representatives.

(3) Ten (10) members appointed before August 16, 2003, by the president pro tempore of the senate, five (5) of those members appointed with the advice and consent of the minority leader of the senate.

(4) Ten (10) members appointed before August 16, 2003, by the speaker of the house of representatives, five (5) of those members appointed with the advice and consent of the minority leader of the house of representatives.

(e) The following may not be members of the commission:

(1) An elected or appointed state or local official.

(2) An employee or a person receiving a pension or other retirement benefit related to service to any of the following:

(A) A state educational institution.

(B) A school corporation or a charter school.

©) The state or any agency of the state.

(3) A person who has a direct business relationship with any of the following:

(A) A state educational institution.

(B) A public school corporation.

©) The state or any agency of the state.

(D) An elected or appointed state agency official.

(E) The general assembly or any of its members.

(f) A member of the commission is not entitled to a salary per diem.

(g) A member of the commission is entitled to reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties, as provided in the legislative council's travel policies and procedures.

(h) The commission shall meet upon the call of the co-chairpersons.

(I) The co-chairpersons may advise the president pro tempore of the senate, the minority leader of the senate, the speaker of the house of representatives, and the minority leader of the house of representatives concerning the appointment of other members of the commission.

(j) A quorum of the commission must be present to conduct business. A quorum consists of a majority of the voting members appointed to the commission.

(k) The commission may not take an official action unless the official action has been approved by at least a majority of the voting members appointed to serve on the commission.

(l) The co-chairpersons shall establish and appoint commission members to four (4) subcommittees as follows:

- (1) The K-12 education subcommittee.
- (2) The higher education subcommittee.
- (3) The Medicaid and human services subcommittee.
- (4) The general government subcommittee.
- (m) The co-chairpersons shall name the chairperson of each subcommittee.
- (n) The commission shall do the following:
 - (1) Review all state funded agencies, departments, and programs.
 - (2) Make recommendations to improve efficiency and reduce waste or other unnecessary costs associated with any state funded agency, department, or program.
- (o) The commission may accept donations to carry out the purposes of this SECTION.
- (p) The following persons shall serve as staff advisers to the commission:
 - (1) The state budget director.
 - (2) The commissioner of the commission for higher education.
 - (3) The Indiana state board of education administrator.
 - (4) The executive director of the legislative services agency.
- (q) The commission shall provide its final recommendations before December 31, 2004, to the following:
 - (1) The governor.
 - (2) The general assembly.
- ®) This SECTION expires January 1, 2005.

[1]

[1]SOURCE: IC 4-4-5.1-12; (03)AM100111.207.

APPENDIX

The PEN Products supplemental report is included below.

INDIANA GOVERNMENT EFFICIENCY COMMISSION GENERAL GOVERNMENT SUBCOMMITTEE

SUPPLEMENTAL REPORT

INDIANA DEPARTMENT OF CORRECTION PEN PRODUCTS

INTRODUCTION

The General Government Subcommittee of the Indiana Government Efficiency Commission (IGEC) selected the Department of Correction (IDOC) as one of the Agencies for analysis under the charter of the enabling legislation, Section 244 of the Current Budget Bill. Within the IDOC specific attention was given to Pen Products which represents a unique function within State Government. Due to the resource limitations placed on the IGEC by the enabling legislation the analysis of Pen Products was assumed exclusively by S. W. Baranyk, Chairman, General Government Subcommittee (GGS).

A series of meetings were held with key members of the PEN Products staff including:

Dr. Nancy Broglin, Ed. D., Director
Bill Tatum, Industries Operations Manager
Becky Gillam, New Enterprise Development Manager
Michael H. Jones, Controller
Jennifer Swenson, Sales Manager
Lin Paul, Farm and Food Operations Manager

Both quantitative and qualitative information was provided during these meetings which are the basis for this report.

This report is the exclusive product of the GGS of the IGEC. While information was provided by both PEN Products and the IDOC, the Findings, Conclusions and Recommendations in this report are independent of any input by the IDOC or any function of the Executive Branch of the Indiana State Government.

ACKNOWLEDGMENT

The author wishes to thank the members of the PEN Products staff and the IDOC staff who met and worked with the author in compiling the information supporting this work.

At all times our work was met with courtesy and proper consideration for its merit. Meaningful suggestions were offered and all requested information was made available on a timely basis.

In the course of this work the author gained an invaluable insight into both PEN Products and the IDOC which he otherwise would not have. The work performed on behalf of the citizens of Indiana by the management of both the IDOC and PEN Products is, in the opinion of this author, generally under appreciated and very much misunderstood. Private citizens, as voters, find it very easy to demand strong penalties for various forms of criminal behavior. And the Legislature has demonstrated a willingness to zealously respond to these demands but without the willingness, on the part of either the Legislature or the general public, to effectively recognize the full long term costs associated with implementing these vociferous demands for strong penalties. The result is an IDOC system that is simultaneously faced with serious over crowding and empty wings, brand new facilities which are partially idle and other facilities still in use which are well over a century old and full to the brim.

These experiences have caused the author to recognize the intellectual inconsistency of simultaneously advocating policies of being tough on crime while exercising tight fiscal policies. The solution cannot be more money as the State has no more money. And the solution cannot be to permit criminals to go free as the public will not stand for the resulting threat to their safety. The solutions must come from a truly engaged dialogue between the citizens, the Legislature, the Executive and the Judicial branches of our government.

A number of significant steps to address these issues are now underway including the Sentencing Commission and the Offender Reintegration Project. These must be moved along with deliberate speed and other efforts added such as an expanded Community Corrections program throughout

the State and programs aimed at those most at risk for entrance into our criminal justice system. Until we find ways to teach young people to make better decisions with their lives, in spite of what their peers and others may say, the problems we now face in attempting to balance acceptable levels of Public Safety with the limited capacity of the Public Purse will only become worse for all involved.

SUMMARY RECOMMENDATIONS

- (1) Immediately initiate a program to track recidivism among those offenders who have participated successfully in the PEN Products program for comparison to the general offender population to determine how effective the PEN Products programs are in meeting its Mission and what changes and/or improvements must be made to make the programs effective in meeting the Mission.
- (2) Work with the IDOC, the Executive Branch and the Legislature to expand the programs offered by PEN Products to include more offenders for training.
- (3) Engage the private sector to promote the desirability of their employing those former offenders who have succeeded as PEN Products employees because of their demonstrated ability to perform under the Work Rules imposed by PEN Products.

FINDINGS

MISSION

PEN Products operates under a legislated charter as follows:

IC 11-10-6-2

Industry and farm programs; establishment and administration; recycling programs

Sec. 2. (a) The department shall establish, maintain, and operate industry and farm programs for offenders designed to equip the participant with a marketable skill which will provide to the participant a means of earning a livelihood upon the participant's return to the community. The department shall appoint an administrator who is the chief executive officer of the industry and farm programs. The commissioner or the administrator in charge of the industry and farm programs shall be responsible for planning, coordination, operation, and employment and supervision of personnel of the industry and farm programs at the correctional institutions. The programs may include:

- (1) the production, manufacture, raising, or processing of any product or item for use or sale by the department;
- (2) entering into contractual agreements and other arrangements

with other state agencies or political subdivisions for the employment of offenders, including employment involving the conservation and improvement of the natural resources of Indiana or its political subdivisions; and

- (3) the employment, to the extent that is practical within the industry and farm

programs, of those offenders who have received specialized vocational training by the department.

(b) The department shall examine the feasibility of, and, if reasonably achievable, develop programs for:

(1) the production of products using recycled materials; or

(2) processing waste materials.

As added by Acts 1979, P.L.120, SEC.3. Amended by P.L.10-1990, SEC.10.

The key words which form the Mission of PEN Products are:

“to equip the participant with a marketable skill which will provide to the participant a means of earning a livelihood upon the participant's return to the community.

In meeting this charter PEN Products has established a series of Work Rules governing the employment of offenders within the IDOC system. See Attachment A in the Appendix. As a life-long member of the private sector this writer can attest that all of us in the private sector who own a business long to have the ability to impose such strict but effective work rules within our companies. Generally, the competitive market place will not permit this. Nevertheless, the availability of individuals trained, willing and able to perform within these work rules would be welcomed by many business owners, not only in Indiana but also in other States.

As an example, offenders are selected through an application process to work in PEN Products. Simply being an offender, while necessary for employment, is not sufficient. The selection process is thorough and vigorous to avoid placing individuals into the PEN Products work environment who are not attitudinally attuned to succeeding within that environment.

Further, once in the PEN Products work environment, failure to obey the work rules will have immediate consequences to correct the undesirable behavior. As an example, offenders employed within PEN Products may not bring reading materials with them into the work environment. This includes newspapers, magazines and religious materials. The point is to focus on the work to be done, the assigned tasks and not on “other issues”. Many private sector work environments are filled with various reading materials which are in no way related to the work being done. And the employees in these environments insist on their “rights” to have these materials available for their use at a time of their own choosing.

As stated above, individuals who have accepted these rules as a condition of employment have the potential to make superior workers in the private sector. Fundamental to a successful transition from incarceration into the private sector is the willingness to accept supervision, from many sources, and to perform at the required level. The PEN Products offender employment programs should help to build these basic attitudinal skills along with other functional skills which will equip the participants for a successful return to a normal life.

Given the Mission of PEN Products and the potential benefits to our society of successful implementation of that Mission there should be broad and strong support from the Public and in turn from the Legislature to achieve success.

STATISTICS

Table A in Appendix Item B gives an overview of PEN Products operations during F.Y. 2004 showing Total Sales of \$36.8 Million and with 1,949 Offenders employed representing about 10% of the total adult population in those IDOC facilities with a PEN Products operation. This is compared to sales of \$46,539, 098 during FY 2003 with a total Offender Employment level of 2013. Sales to State and Local Government agencies (Traditional Industries Group) accounted for approximately 41.45% of total PEN Products sales during FY.2004 with sales in the Farm and Food Group accounting for an additional 39.88% of total sales. The Indiana BMV, during those years when it purchases new license plates, is by far the largest customer of total PEN Product sales followed by the Department of Correction.

Total Employment in PEN Products fluctuates and was 1,949 out of a total adult offender population of 20,812. or approximately 9.4% of the total adult offender population. Within those facilities with a PEN Products operation the percentage of the Adult Offender population employed by PEN Industries grows to about 10%. These percentages fluctuate with "business conditions within PEN Products such as the demand for license plates, etc.

Offenders employed in PEN Products contribute to society via their work and the wages they earn. During F.Y. 2004 offenders employed within PEN Products earned gross wages in excess of \$2.00 Million, paid State Federal, Social Security and Local taxes in excess of \$300,000, contributed in excess of \$250,000 to the Victim's Compensation Fund and reimbursed the Department of Corrections in excess of \$900,000 for the costs of their incarceration. No matter how it is measured, these outcomes are all positive for the Citizens, the Victims and the offenders.

The real value of PEN Products to the citizens of Indiana lies in the comparison of the costs to "house" an offender within the system compared to the economic contribution of a gainfully employed adult. During FY 2004 the per capita cost of housing an adult offender within the IDOC system was approximately \$ 21,671 or about \$59.37 per day. By returning offenders who can hold down a job and pay taxes to their private lives in the free society, the IDOC not only avoids these growing per capita costs, it also avoids the cost of constructing new facilities which can cost about \$60,000 per bed not to mention the costs of staffing these facilities. The savings to the IDOC and to the citizens of Indiana derived from enabling released offenders to become productive tax paying members of our free society are enormous. Conversely, the costs incurred due to the failure of a number of offenders to successfully adjust to free society are unacceptably high and beyond the financial means of the citizens of Indiana.

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Thus, the conclusion one is driven to is that it is in everyone's best interest (the citizens of Indiana and the offenders themselves) to take those steps necessary to enable adult offenders within the IDOC system to gain the attitudinal and practical skills needed to enable them to lead productive

lives once they are released.

From a financial point of view PEN Products has not received any General Fund money in support of its operations for a number of years. In fact, in recent years PEN Products has remitted to the State approximately \$6.0 Million from its own cash balances to help with the current fiscal difficulties. This is one more reason to promote successful programs within PEN Products for the adult offender population to reduce the long term costs of operating the IDOC system.

POLICY ISSUES

There tends to be a lot of misunderstanding within the general public about the role of PEN Products in rehabilitating offenders and in turn this misunderstanding can lead to the imposition of Public Policies which restrict what PEN Products can do. From a practical point of view, PEN Products is not capable of posing a significant threat to any one major sector of the Indiana economy. There simply are not that many really skilled inmates who can turn out the volume and quality of work needed to do “real harm”. Nevertheless, from time to time PEN Products can come into direct competition with private sector businesses and those businesses may find themselves under some pressure in the competition for customers. In the view of this author these occasions do not warrant the imposition of Public Policies which limit and restrict the ability of PEN Products to train offenders to lead productive lives in the private sector.

When an offender, who has served multiple years under incarceration, is released with no marketable skills in terms of either a proven work attitude and function specific skills, we as a society have only succeeded in “warehousing” that adult and during the time of “warehousing” prevented them from committing additional crimes against their fellow citizens. Should they, for whatever set of reasons, return to a life of crime and thus be recycled through the system again, we as a society have imposed upon ourselves significant costs to maintain the level of public safety we all desire; a life free from crime.

In the opinion of this author, a more efficient approach will be to do everything possible to rehabilitate offenders socially as well as economically so that they will not return to the system. Whatever potential costs some private firms might suffer in the competitive market from a more robust PEN Products, the offsetting long term financial gains will more than offset these costs. And, the competition to motivate private firms to become even more efficient can only help them as well in the long run.

PEN PRODUCTS EFFICIENCY

In attempting to identify possible “inefficiencies” within PEN Products our analysis looked for signs of waste or ineffective allocation of resources. Given the lack of supporting resources provided by the enabling legislation we were not in a position to perform an in-depth analysis of these issues.

However, some general analytical observations can be drawn.

CONSUMPTION OF GENERAL FUND CASH

For some years now PEN Products has not received any General Funds to support its operation. Historically it did consume cash from the General Fund but in recent years changes and improvements have been made to eliminate the need for General Fund monies.

More to the point during the last two Fiscal Years PEN Products has returned to the General Fund approximately \$6.0 Million from its on hand cash balance.

On this basis it is difficult to conclude that current operations are significantly inefficient.

INCOME EARNED BY OFFENDERS AND THE DISTRIBUTION OF THESE EARNINGS

As noted above offenders employed by PEN Products are paying State and Federal Taxes, reimbursing the IDOC for the costs associated with their incarceration and paying restitution to their victims. Each and every dollar earned and paid as described above is a multiple gain for the citizens of Indiana. These earned dollars not only offset costs, add to tax revenues and reimburse the IDOC for incarceration costs, they put back into circulation within the economy money which would otherwise not be there.

Add to this the sense of accomplishment and self worth combined with the improved behavior by offenders who are employed by PEN Products (reduced strain on Correctional Officers and staff, reduced wear and tear on IDOC facilities and reduced “internal assaults/altercations within the IDOC system) and the gains become huge.

The positive impact on offenders employed by PEN Products who can not only “support themselves while incarcerated but who can also begin the process of restitution and self rehabilitation only serves to reinforce the conclusion that every effort should be made to provide meaningful employment through PEN Products to as many adult offenders as possible while they are incarcerated within IDOC.

REDUCED RECIDIVISM

There is a missing element in the measurement of the efficiency of PEN Products. No definitive data are available to define the measurable impact on the reduction to recidivism through employment within PEN Products compared to the recidivism of those adult offenders who do not participate in PEN Products work while incarcerated.

While this is both disappointing and frustrating the lack of definitive measurable data on such an important characteristic of the potential outcomes of employment within PEN Products is consistent with the experience of the author throughout the work of the General Government Subcommittee of the Indiana Government Efficiency Commission. Very few agencies within our Indiana State Government have employed measures of either Efficiency, Productivity, Utilization or of Quality to determine the Effectiveness of their

own agency.

The experience of the author is that very few if any of those in positions of authority and responsibility within our State Government have been exposed to or are familiar with the concepts of measuring for these characteristics. And very few, if any, are even aware of the concepts of making these kinds of measurements with the objective of finding ways to improve the operation of the many functions of State Government. In many ways, PEN Products is ahead of other agencies as they do measure their operations using sound Financial analysis tools and analytical methods. Given that they have these measures in place, it is disappointing and frustrating that the management of PEN Products along with the management of the IDOC have not implemented a system to track recidivism among those who have been successfully employed by PEN Products as offenders and then to compare this data to those offenders who do not have a successful employment experience with PEN Products while incarcerated.

It has been explained to the author that recidivism is hard to define let alone track and measure. But then a lot of things are hard to define and track and measure. It seems to this author that some more serious effort should have been undertaken sometime ago to collect and analyze this data.

The management of the IDOC and PEN Products have advised the author that steps have been taken to identify effective means of measuring recidivism for implementation within IDOC. This should be a high priority project within IDOC with lots of visibility to keep it moving in the right direction with meaningful results on a timely basis. This effort can serve as a guide to other agencies in establishing effective measures of results actually produced compared to results hoped for.

PEN Products has demonstrated that employing offenders in meaningful work while serving the time of their sentence helps everyone; the offenders, private citizens and our free society.

Further, this employment serves to meet the specific Mission of PEN Products as expressed in the enabling legislation:

“to equip the participant with a marketable skill which will provide to the participant a means of earning a livelihood upon the participant's return to the community.

PROVIDING A SOURCE OF EFFECTIVE EMPLOYEES TO THE PRIVATE SECTOR

This is the other side of reducing recidivism and in the mind of this author, who has spent his professional life in the private sector as a business executive and owner, is the most important issue.

There is widespread recognition that Indiana needs to “create more jobs . Creating jobs is only creating an opportunity. There must be capable individuals willing to effectively perform the work associated with these jobs. Without the availability of an effective work force job creation is a fool’s errand.

Many job opportunities can be filled by individuals with some basic skills who are capable of being trained to perform specific tasks. In fact, the experience of this author over the last thirty years is that while “skills are important, the most important attribute of a potential employee is ATTITUDE.

Skills can be taught on the job in many different ways. Attitudes are almost impossible to change over the short term. Very few employers can afford the costs associated with changing employee attitudes.

The most important attitudinal characteristics of a potential employee are:

The commitment to come to work on time each and every day for which they are scheduled to work mentally and physically prepared to perform their assigned duties and functions,

The commitment to work all day each and every scheduled work day all the while meeting the expectations of quality and quantity for their assigned position,

The commitment to follow the rules of the workplace each and every scheduled work day and, where they feel changes are needed, to work in a mature adult manner with the owners or supervisors to implement the needed changes and to accept that not all of their perceived needs for change will be implemented,

It is both shocking and disappointing to observe the lack of these simple attitudes in so many of those who claim to be seeking work,

So many individuals seeking employment seem to feel that these common expectations by employers do not or should not apply to them and, when they are employed, they very quickly demonstrate an obstinate unwillingness to accept these conditions of employment,

The most important job related skills of a potential employee are:

The ability to receive/accept, understand (comprehend) and effectively execute basic job related instructions given either orally or in writing,

The ability to read and comprehend written material related to their assigned position,

The ability to understand their assigned work in sufficient detail so that they can make meaningful suggestions for improvement to reduce cost, increase quality or both,

The ability to effectively communicate with their fellow employees, supervisors and managers their ideas for improvement.

To the extent that employment by PEN Products can develop these attitudes and skills within offenders while they are incarcerated can make these individuals very desirable employees once they return to the private sector. It is the opinion of this author that PEN Products and the IDOC should undertake programs to educate the public about those offenders who have successfully completed employment with PEN Products and work to find potential employers who will welcome released offenders as employees.

CONCLUSIONS

PEN Products is a self supporting entity operating within the IDOC for the purpose of assisting in the rehabilitation of offenders by providing them with the opportunity to learn new skills which will enable them to return to the free community as productive citizens.

It has demonstrated that it is capable of operating without consuming money from the General Fund while at the same time earning a profit and generating a cash surplus both to fund future programs as well as to provide a cash remittance to the State.

In fulfilling its Mission PEN Products has developed and implemented a series of Work Rules (Offender Employment Operating Standards) which are much more stringent than the normal level of work rules applied in the private sector. The ability of individual offenders to demonstrate that they can both conform to these Work Rules and achieve the desired levels of productivity on the job should be a major advantage to these offenders when applying for a job in the private sector. It is not clear that either PEN Products or the IDOC has effectively promoted these advantages to the private sector.

Although the Mission of PEN Products to is prepare offenders to return to freedom with sufficient skills to enable them to be self supporting only a small fraction (approximately 10%) of the total adult offender population of the IDOC actually participate in PEN Products programs. This seems at variance with the Mission of PEN Products.

Although the Mission of PEN Products to is prepare offenders to return to freedom with sufficient skills to enable them to be self supporting neither PEN Products nor the IDOC have adequately addressed the issue of tracking offender performance following release to determine how effective the PEN Products programs are in meeting the Mission and what changes/improvements to the PEN Products programs would improve the effectiveness of these programs in reducing recidivism.

Although the conditions of this study effort did not support an in-depth analysis of all of the

functions of PEN Products there is no evidence to support a conclusion that PEN Products is in anyway inefficient in the application of the funds used for its operation. Given that PEN Products receives no funding from the General Fund and further that in recent years it has been remitting cash to the General Fund it appears that PEN Products is using the funds at its disposal with a high level of efficiency.

Those offenders employed by PEN Products provide and economic benefit to the IDOC and through this to the citizens by paying taxes on their earnings, making restitution to the victims and paying the IDOC for a portion of the costs of their incarceration.

RECOMMENDATIONS

- I. Immediately initiate a program to track recidivism among those offenders who have participated successfully in the PEN Products program for comparison to the general offender population to determine how effective the PEN Products programs are in meeting its Mission and what changes and/or improvements must be made to make the programs effective in meeting the Mission.

Steps have been taken to do just this. The effort must be closely monitored and managed for meaningful results on a timely basis to enable PEN Products to make improvements as needed.

- II. Work with the IDOC, the Executive Branch and the Legislature to expand the programs offered by PEN Products to include more offenders for training.

Currently PEN Products employs from 10% to 11% of the adult offender population within those IDOC facilities with a PEN Products operation. The opportunities for PEN Products participation must be expanded to include a larger percentage of the adult population, particularly if the Recidivism study shows a meaningful advantage to those who participate in PEN Products programs.

Complaints and concerns expressed by the private sector relative to perceived “unfair competition” from PEN Products is, in the judgment of this author, a red herring which needs to be discarded. PEN Products lacks the capacity to be a major threat to any significant sector of the Indiana economy. Where competition does occur, those in the private sector should be motivated to find ways to improve their position by internal improvements rather than through the Legislature.

- III. Engage the private sector to promote the desirability of their employing those former offenders who have succeeded as PEN Products employees because of their demonstrated ability to perform under the Work Rules imposed by PEN Products.

By making the employment of offenders who have successfully demonstrated their ability within PEN Products desirable to the private sector, more former offenders will be employed in the private sector motivating more current offenders to participate in the PEN Products program which will ultimately reduce the cost of operating the IDOC as fewer offenders return and more money is earned by current offenders to pay taxes and reimburse the IDOC for the costs of their housing.